(Page 45)

BUSINESS WEEK

A McGRAW-HILL PUBLICATION

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> > FIFTY CENTS

APRIL 12, 1958



Industry's New Look at Industrial Design: Once it bought frostingnow it buys a cake. (Marketing)









ANN ARBOR MICH IS IST N ETE UNIVERSITT MICROFILMS E B POWER

-9 J



Nips Crime at the Roots

For years, the insect "underworld" raided the nation's cornfields. But no longer without penalty! There's a new "policeman" on that beat...

That policeman is a powerful insecticide, aldrin. Standing watch under our most valuable crop, aldrin keeps the delicate feeder roots free from harm. Used before or at time of planting, aldrin destroys rootworms, wireworms, seed corn maggots, white grubs, and other cornfield soil pests when they eat, inhale, or merely touch it.

The result? Welcome harvest news: More plants survive, corn stalks withstand windstorms better with deep, natural roots. But wind or no wind, good roots mean better yields. And the stalks stand straight for efficient mechanical picking.

Protecting vital crops against the costly ravages

of root-destroying soil insects is another of the many ways Shell Chemical serves the farmer.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK



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Duciblece WEEV & Apr. 12 1059	BUSINESS WEEK is published weekly by McGraw-Hill Publishing Co., Inc., at 99 N. Broadway, Albany I., N. Y. Entered as second class matter Dec. 4, 1936 at the Post	1493				

FIGURES OF THE WEEK

170 1947-49=100 160			19	947-49=10	160
150	10.50				150
140	1958				140
130	1	-			130
120	~				120
110 1953 1954 1955 1956 1957 ³ F	M A M	3 3	A S	0 N	110
BUSINESS WEEK INDEX (chart)	Average 91.6	Ago 145.0	Month Ago 125.5	Week Ago †125.2	\$ Late Wee *123
	71.0	143.0	123.3	1140.4	120
Steel inget (thous, of tons)	1,281 62,880 \$17,083 4,238	2,310 165,125 \$56,701 11,693	1,463 108,322 \$57,453 11,793	†1,312 †120,468 \$67,960 11,645	1,36 88,65 \$69,66 11,32
Crude eil and condensate (daily av., thous. of bbls.)	4,751 1,745 167,269	7,600 1,765 283,101	6,328 1,385 265,719	6,264 11,240 268,648	6,25 1,20 279,40
RADE					
Carloadings: mfrs., miscellaneous and I.c.I. (daily av., thous. of cars)	82 53 90 22	70 46 112 231	55 37 100 358	53 35 109 327	11
PRICES					
Spot commedities, daily index (Moody's, Dec. 31, 1931 = 100). Industrial raw materials, daily index (BLS, 1947-49 = 100). Foodstuffs, daily index (BLS, 1947-49 = 100). Print cloth (spot and nearby, yd.). Finished steel, index (BLS, 1947-49 = 100). Scrap steel composite (Iron Age, ton). Copper (electrolytic, delivered price, E & MJ, Ib.). Wheat (No. 2, hard and dark hard winter, Kansas City, bu.). Cotton, daily price (middling, 1 in., 14 designated markets, Ib.). Wool tops (Boston, Ib.).	311.9 ††73.2 ††75.4 17.5¢ ††76.4 \$20.27 14.045¢ \$1.97 **30.56¢ \$1.51	407.7 93.8 82.5 17.9¢ 174.0 \$42.67 31.970¢ \$2.30 33.86¢ \$2.10	398.3 83.2 89.3 17.4¢ †181.6 \$37.33 24.185¢ \$2.22 34.53¢ \$1.70	396.4 81.7 89.9 17.3¢ 181.6 \$34.00 24.880¢ \$2.30 34.55¢ \$1.68	394 80 90 17.2 181 \$33.5 24.870 \$2.3 34.55 \$1.6
INANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08 3.05% 34-1%	44.62 4.42% 3%%	42.24 4.67% 2%% 2	42.00 4.69% 1/8-21/4%	41.5 4.67% 21/8%
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks Total loans and investments, reporting member banks Commercial and agricultural loans, reporting member banks. U. S. gov't guaranteed obligations held, reporting member banks. Total federal reserve credit outstanding.	††45,820 ††71,916 ††9,299 ††49,879 23,888	55,118 87,253 31,322 26,635 25,165	54,503 88,576 30,241 27,707 24,309	54,507 89,813 †31,026 28,108 24,742	53,99 89,54 30,84 28,11 24,58
MONTHLY FIGURES OF THE WEEK		1946 Average	Year Ago	Month Ago	Latest
Employment (in millions). March. Unemployment (in millions). March. Average weekly earnings in manufacturing. March. Imports (in millions). January		55.2 2.3 \$43.82 \$412	63.9 2.9 \$82.21 \$1,115	62.0 5.2 \$80.64 \$1,141	5.2 \$80.85 \$1.095

^{*} Preliminary, week ended April 5, 1958. † Revised.

The Pictures—Cover Design by Laurence Lustig; 25—Joan Sydlow; 26, 27—Ed Nano; 28—(It.) W.W., (rt.) I.N.P.; 29—(It.) I.N.P., (rt.) W.W.; 30, 31—Joan Sydlow; 60—Herb Kratovil; 64—(top) Boeing Airplane Co., (bot.) Owens-Corning Fiberglas Corp.; 78—(It.) Herb Kratovil, (rt.) General Electric Co.; 79—(top It.) Corning Glass Works, (bot. It.) Air Force Photo, (rt.) I.N.P.; 84—George Champroux; 85—Martin Harris; 86—U.P.; 150—U.P.

^{††} Estimate. • • Ten designated markets, middling }} in.

⁸ Date for 'Latest Week' on each series on request.



Punching a 3-mile hole through a granite mountain

B. F. Goodrich improvements in rubber brought extra savings

Problem: That picture was taken thousands of feet inside a mountain where men and machines are digging a tunnel for a power project. As fast as the sharp, jagged rocks—some of them boulders six feet wide—are blasted out, they're dumped on a moving rubber belt that carries them to mine cars. But the constant smash of heavy rock soon pounded the conveyor belt to death.

What was done: The project superintendent who had to choose a replace-

ment belt decided on B.F.Goodrich because of this company's long history of making belts for "impossible" jobs. To meet these harsh conditions, B.F.Goodrich engineers developed a premium belt with an extra thick cushioning cover. They made it a flexible belt, too—able to absorb heavy blows that would gouge or break many ordinary belts.

Savings: The B.F.Goodrich belt has taken this abuse six months now, is still going strong. While it cost nearly

half again as much as the belt it replaced, the contractor says it's already paid off by giving twice the service. It's carried many more tons, been in use 24-hours a day without costly shutdown for repairs.

Where to buy: Your B.F.Goodrich distributor has full information on the conveyor belt described here. And, as a factory-trained specialist in rubber products, he can answer your questions about all the rubber products B.F.Goodrich makes for industry. B.F.Goodrich Industrial Products Company, Dept. M-318, Akron 18, Ohio.

B.F. Goodrich industrial products



Mobile, Ala.—Photo from interior of Old Spanish Port Motel restaurant shows that LUSTRAGRAY reduces sun glare, yet provides "clear glass" vision.

Photo from exterior. This main building of Old Spanish Fort Motel has nine full-length picture windows glazed with LUSTRAGRAY by The Prichard Glass Co., Mobile, Ala. Architects: Hammond & Woods, Mobile, Ala.

GLARE REDUCING SHEET GLASS

Picture windows of American LUSTRAGRAY

draw tourist trade

See that AMERICAN LUSTRAGRAY goes in your new commercial buildings-and the occupants will tell you that the attractive gray windows act as "beacons of welcome."

Here's a case in point. According to the owner of the motel, George Fuller Sr., the LUSTRAGRAY glazing "invites more casual tourist business than any other form of outdoor advertising tried by the Company."

And-from the inside looking out-sun glare is softened by this neutral gray glass. Through giant picture windows, diners enjoy the view of Mobile Bay in bright sunlight without squinting.

AMERICAN LUSTRAGRAY also reduces a significant amount of solar heat, adding considerably to comfort. In the home, office, or factory-where sun glare affects comfort, efficiency and physical well-being-glaze your windows with AMERICAN LUSTRAGRAY. Call your architect or builder for information about it.



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POSTMASTER . . . Please send form 3579 to Business Week, 330 W. 42nd Street, N. Y. 36, N. Y.

READERS REPORT

Scare Headlines

Dear Sir:

Your editorial Deceitful Sweet Talk [BW-Mar.22'58,p160] indicates that you do not understand the attitude of merchants and other businessmen on the newspapers' printings of news items regarding the business slowdown.

There is no objection to the complete and accurate reporting of business news be it good or gloomy.

Objection is made to the front page scare headlines used by some newspapers day in and day out to overemphasize unfavorable developments and in many cases the relegation to inconspicuous space in inside pages of news items that are favorable to economic recovery. Often if the complete story under the scare headline is read it belies the headline itself. Unfortunately, many people read only the headlines. Newspaper editors particularly should realize the importance of the psychology of consumer buyers. And it is consumer buying that will start the upward trend.

LEON H. JOSEPH

ULMER-JOSEPH CO. INVESTMENT SECURITIES CINCINNATI, OHIO

Dear Sir:

I have no quarrel with your editorial, Deceitful Sweet Talk [BW-Mar.22'58,p.160], as far as it goes but it was incomplete. You should have warned against the opposed and far more mischievous tendency in some quarters to blow up the present slight dip in certain lines of business as the forerunner of a depression.

Surely it is more dangerous to exaggerate the slowdown than to ignore it. And you can hardly deny that many of the "out" politicians and anti-Administration dailies are blowing up this "recession obsession" in almost hysterical tones. They really seem to be trying to promote a depression for political

A striking parallel is visible between what is happening now and the events of 1954. Then, the result was a Democrat gain in Congressional representation, although the promoted depression fizzled out quickly, just as this one seems to be

Most demagogic of the promoters' tactics is the effort to picture serious unemployment. The 5-million figure in the yellow press headlines, we should remember, is



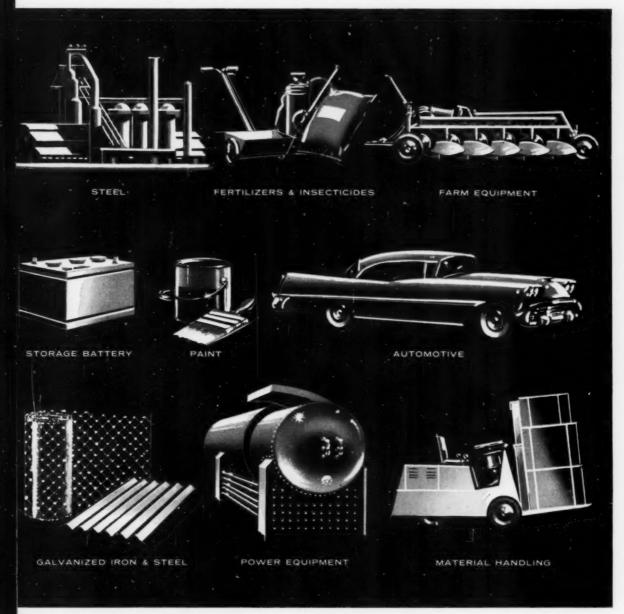
THESE ARE SOME OF THE INDUSTRI

EAGLE-PICHER

Virtually all our customers are manufacturers. So are we. With this difference. We manufacture materials and component parts for other industrial companies.

We have the capacity to meet unusual demands, the flexibility to fit smoothly into another manufacturer's program. Ours is a broad background of multiple industry knowledge and experience from the production viewpoint. This is our highest skill, the thing we know how to do best.

As a "manufacturer's manufacturer," Eagle-Picher provides such basic materials and component parts as lead and zinc pigments and oxides, sulphuric acid, porcelain enamel frits, molded and



CCESSFULLY SERVED BY EAGLE-PICHER.

MANUFACTURER'S MANUFACTURER

extruded rubber, plastics, waxed paper and cellophane food wrappers, diatomaceous earth, industrial and commercial insulation, germanium, silicon, and many others. Our manufacturing and research activities successfully supplement those of our customers. Perhaps you may find our varied experience of value to you.

SINCE 1843 THE EAGLE-PICHER COMPANY

GENERAL OFFICES: CINCINNATI 1, OHIO



FISH WITH

A MISSION...

Dropped from a speeding airplane, or launched from a surface ship, this deadly missile seeks out an enemy target. Production of the highly sensitive system of guidance and controls which direct its course demands the most advanced engineering and manufacturing technology.

Clevite designed, engineered, and produces this modern under-water weapon for the Bureau of Ordnance, Department of the Navy. Many other Clevite-conceived products are now in use and under development for application in torpedoes, missiles and rockets.

The technical skills of an organization long experienced in producing materials and electronic components for numerous complex devices enable this important contribution to national defense.

This same technology is equally available to industry in related fields of need. • • • • • • • CLEVITE CORPORATION, 17000 ST. CLAIR AVENUE, CLEVELAND 10, OHIO.

DIVISIONS OF CLEVITE CORPORATION

CLEVELAND GRAPHITE BRONZE

CLEVITE HARRIS PRODUCTS, INC.

St. Thomas Ontario Cana

BRUSH INSTRUMENTS

CLEVITE TRANSISTOR PRODUCTS

CLEVITE ELECTRONIC COMPONENTS Cleveland, Ohio CLEVITE ORDNANCE

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Dusseldorf, Germany

CLEVITE RESEARCH CENTER Cleveland, Ohio



PRECISION COMPONENTS . INSTRUMENTATIO





the same as in 1950, certainly not a depression year. It is only half the statistic for 1939, after six years of frenetic New Deal reform, and when the population was less than today's by some 35-million. . . .

FRED DEARMOND

THE MYCROFT PRESS SPRINGFIELD. MO.

• We go along with Readers Joseph and DeArmond in their criticism of publications that "blow up" the news—whether it be good or bad news. However, we can't go along with Reader Joseph when he says that merchants and other businessmen have no objection to the complete and accurate reporting of business news be it good or gloomy. Most publications report a growing amount of letters from businessmen objecting to the publication of unfavorable business news.

Think Big

Dear Sir:

The "small thinking" that has kept Europe broke for years, depending on the "big thinking" of the U.S., should be a lesson. If people are really interested in economical travel, let them use roller skates or bicycles.

In a land of large areas, good turnpikes and secondary roads, the Big American Automobile is right

at home.

American men are getting larger, why pack them into 1940 "sardine cans"? America is great because of big ideas and progress. Let's keep it that way.

E. W. LAWLER, JR.

LAWLER CO. METUCHEN, N. J.

Fallacy of Isolationism

Dear Sir:

Re: More Push Behind Protectionism [BW—Mar.8'58,p85] simplest way to see the fallacy of "isolationism" is to imagine the U. S. with interstate tariffs or quotas. There'd be oranges under glass in Montana, steel mills in Miami, breweries in Nevada—to add to the inefficiencies of tax supported beet sugar, watches, bicycles, tuna, etc. . . .

Interference with competition is a target of the Attorney General' even where it is hard to follow his brief—how, then, can we justify the repeal of competition on so many arbitrarily chosen products of farm, mine, and factory?

P. S. BARROWS

DEL MAR, CALIF.



Gardner-Denver DH143 crawler-mounted drill and Gardner-Denver rotary compressor at work on Snoqualmie Pass widening.

Foot-tapping motorists speed big rock cut

While impatient motorists marked time, the Washington State Highway Department recently solved a tough problem of hurry-up highway construction. The problem: carving 30 feet of solid rock to widen Sno-qualmie Pass highway to four lanes—with no feasible detour available.

To escape this dilemma, the department decided to close the highway completely for eight hours a day, giving contractors elbowroom for at least one shift, but letting traffic stream through during the remaining hours. Second, the work was speeded with Gardner-Denver rock drills powered by Gardner-Denver rotary air compressors for fast, effective blast-hole drilling.

Rock is the big obstacle on many a highway project today. Getting rock out quickly—helping to keep construction costs at a minimum—is a major job for Gardner-Denver rock drills and air compressors. That is why you will find Gardner-Denver equipment working on so many important highway projects throughout the country. Gardner-Denver Company, Quincy, Ill.



ENGINEERING FORESIGHT—PROVED ON THE JOB
IN GENERAL INDUSTRY, CONSTRUCTION, PETROLEUM AND MINING

GARDNER - DENVER



In the loft of Ratsey & Lapthorn, Inc., City Island, N. Y., sailmakers work on a suit of sails for Colin E. Ratsey's own yawl Golliwogg, designed by Sparkman and Stephens, winner of her first race (Block Island, 1956) and many others since then.

The fabric specified for the sails was selected for a number of important reasons: great strength and durability combined with light weight; smooth, water-shedding surface; perfect shape retencion without shrinking or stretching; resistance to rot and mildew. It is a Wellington Sears fabric of filament Dacron*, converted by Alexander Lamport & Bro., Sail Fabric Division, distributed by them under their trade name "Drisail."

"Engineering" fabrics to do a superb job has been the business of Wellington Sears ever since we outfitted our first square-rigger 113 years ago. For marine and many other industrial uses, Wellington Sears is the leading source of textiles. If you are interested in industrial fabrics, write Dept. C-4 for informative booklet, "Modern Textiles for Industry."

Wellington Sears FIRST In Fabrics For Industry

For the Rubber, Plastics, Chemical, Metallurgical, Automotive, Marine and Many Other Industries
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WELLINGTON SEARS COMPANY, 65 Worth Street, New York 13, N. Y. • Atlanta • Boston • Chicago Dallas Detroit • Los Angeles • Philadelphia • San Francisco • St. Louis • *DuPont's trademark for its polyester fiber



WEST POINT WANTACTURING CO.

Out-of-town telephone calls help step up sales, keep down costs

Out-of-town telephone calls help you cover more territory and find more prospects—without adding to your sales force.

They save your salesmen time by lining up out-of-town business appointments in advance, and by avoiding needless "cold" calls.

They let you follow up inquiries fast, quote up-to-date prices, and close sales ahead of competition. In every phase of business—in sales, purchasing, collection, production, shipping, inventory control—out-of-town telephone calls are among the most effective and productive tools of modern management.

Why not check to see if your people are making full, regular use of out-of-town telephone calls to increase profit?

More and more companies are discovering that it pays.

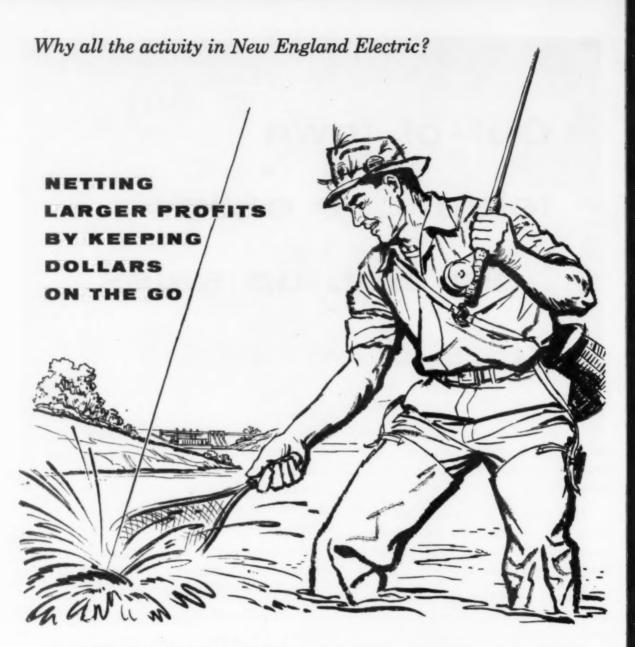
YOU SAVE MONEY WHEN YOU CALL STATION-TO-STATION instead of Person-to-Person

For example:	Day Rates (fin Person-to- Person	rst 3 minutes) Station-to- Station	Each Added Minute (applies to all calls)
Chicago to Toledo	\$110	80∉	20€
New Orleans to Houston	\$145	\$105	30∉
Detroit to New York	\$175	\$125	35∉
Philadelphia to Indianapoli	8 \$190	\$135	35¢
Washington, D.C., to Los Angeles	\$350	\$250	65¢

Add 10% Federal Excise Tax

BELL TELEPHONE SYSTEM





Today in busy New England a dollar really goes 'round and 'round helping to keep business activity at high levels. Right now New England's economic climate is right for growth, working conditions are right to attract and hold the best people, living conditions are right for a busy, pleasant, prosperous way of life.

In this vigorous region, New England Electric supplies manufacturing power to hundreds of varied industrial firms and provides home power for more than two and a half million people. Dollars are truly busy here... and more dollars are constantly needed as new

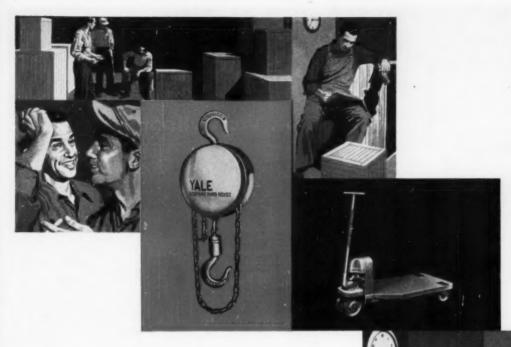
investment opportunities promise new profits in this new New England.

All this means good living and profit to New Englanders – and profit, too, for farsighted folks in other sections of the country who have investments in New England business and industry.



A note to our Area Development Department, Room A, 441 Stuart Street, Boaton 16, will bring you prompt information about good New England plant locations.

NEW ENGLAND ELECTRIC SYSTEM



For lack of a single hand hoist or hand truck-production time can be lost





Yale's new plant will keep you supplied...



To keep industry production moving and costs down—Yale has opened a multi-million dollar plant devoted entirely to the manufacture of Hand Trucks, Hand Hoists, Plain and Geared Trolleys and Pul-Lifts. Strategically located at Forrest City, Ark., this new Yale Plant—utilizing the most modern equipment and methods—assures industry that these cost-cutting tools, so necessary to keep production moving, are readily available.

YALE*

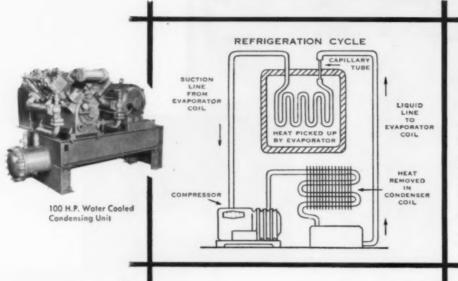
INDUSTRIAL LIFT TRUCKS AND HOISTS

YALE & TOWNE

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WAREHOUSERS • HAND TRUCKS • HAND AND ELECTRIC HOISTS

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BUSINESS OUTLOOK

BUSINESS WEEK APR. 12, 1958



People who examine the business figures this month and next are bound to be disappointed if they hope for leveling off or improvement.

The best they should look for is some lessening of the rate of decline. That isn't very positive solace, but at least it's something.

Early returns on March activity show little sign of spring vigor.

- Employment rose little except in farming—while the long slide in factory jobs continued (page 23).
 - · Easter sales were hurt by weather and the calendar (page 25).
- Metal markets seemed to be slipping back into the doldrums after a brief but encouraging flurry of activity.

Some consolation may be had in the very small March rise in unemployment. A change of only 25,000, one way or the other, might be no more than statistical slippage in a labor force of 67½-million.

But is it the "turn for the better" Washington has talked about?

Unemployment declined about 250,000 last year between February and March and 225,000 in 1955. The 1956 dip was nearly 100,000. You have to go back to depressed 1954 to find another rise at this time of year.

And, of course, unemployment of 5.2-million now compares with only 2.9-million at this time last year.

April, like March, usually shows a fairly smart reduction in the number of jobless. But current figures on unemployment compensation point the other way this year.

Manufacturing employment continues to give the bleakest picture of labor conditions, payrolls, and purchasing power.

Factories were providing jobs for only 15.4-million at the time of the March count. That's the lowest total in the last half dozen years, not even barring the steel strike periods of 1952 and 1956.

Manufacturers had 1½-million more people on their payrolls at this time last year; even in 1954, the figure was 750,000 higher.

The average work week, too, is shorter than in any recent year.

This will give you some idea what smaller factory employment and the shorter work week are doing to purchasing power: Manufacturing payrolls in March were almost \$150-million a week under 1957.

Auto producers aren't likely to cut a very fancy figure as employers any time before they start work on 1959 models.

Nevertheless, they're likely to provide a few more jobs on average for the second quarter than has been the case last week and this. Otherwise, they'll miss their production goal by a country mile.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK APR. 12, 1958 Current output is at a rate of not much over 900,000 cars for the quarter; the industry's bogey, however, is over 1.1-million.

Strike or no strike, Detroit seems determined to approach the 1959 model year with display room floors bare as ballrooms.

Even at last year's relatively unhappy spring-and-summer retail sales rate, dealers should sell nearly half a million more cars than are scheduled to roll off production lines in the second quarter.

If they do, dealers will enter July with a scant 350,000 cars—less than half their year-earlier inventory (and what if there's a strike?).

Don't overlook the chance that a warm weather sales spurt might convince Detroit it has to make more cars—and provide more jobs—than it now contemplates in May and June.

Actually, a July inventory of only 350,000 wouldn't give customers an adequate choice of models and colors.

Automotive backwash: Shipments of car tires in February, just announced this week, are 22½% below the year-earlier level. This despite the prospect that 1958 may yet top 1946's record replacement demand.

You get a good idea just how little confidence the metal trade had in prices from the speed with which custom smelters lopped off half of their recent 1¢ a lb. markup in copper.

Actually, most observers had felt the price rise a bit artificial; it was based more on London's erratic market than conditions here.

Zinc's uneasy position also was highlighted this week.

The cut in aluminum prices (BW—Apr.5'58,p36) improved the light metal's position against zinc in the die-casting market. And prices on the grade of zinc used for die casting were shaded this week.

Meanwhile, smelter stocks of zinc hit the highest level in recent years as April started, topping 200,000 tons. That's a rise of more than 100% in a year.

Reduced government takings for the stockpile have been a factor in this rise in stocks, particularly in the last nine months.

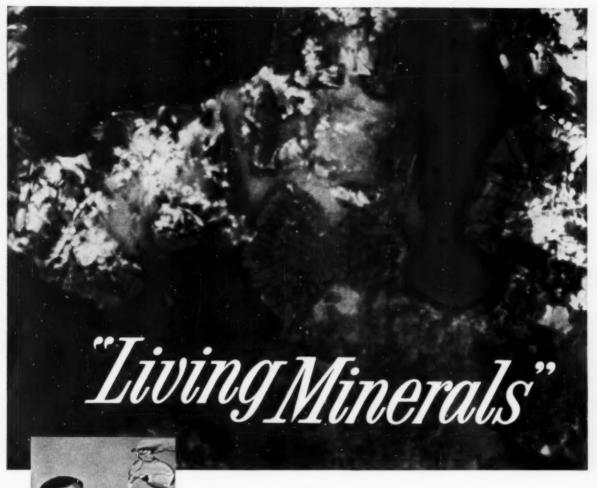
Construction continues to look more like a stable factor than an expanding one in terms of the over-all economy.

The value of work put in place continues to run ahead of last year. However, the rise isn't enough to offset higher prices.

By the same token, March construction employment was 10% below 1957.

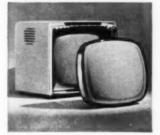
Construction's moderate improvement so far this year once again is concentrated in **publicly financed projects**—particularly in highways and public housing. Privately financed work, after pulling ahead slightly in late 1957, seems about to fall behind again.

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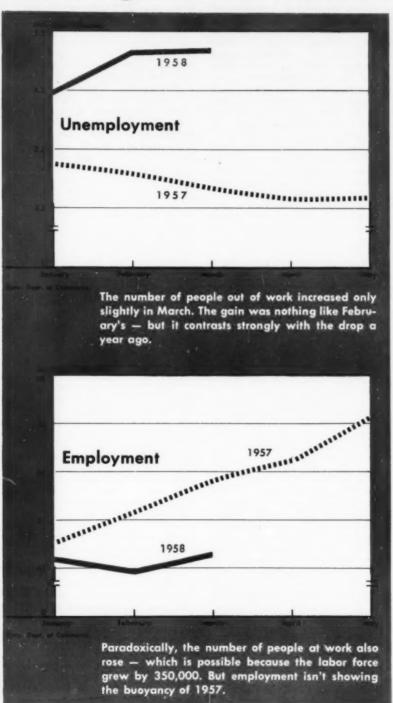


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Getting Worse, More Slowly



"T HINGS are getting worse, but they're not getting worse as fast as before." So says Gerald H. Machesky, head of Wisconsin's State Employment Service, talking about the increase in unemployment in Milwaukee in the last couple of weeks.

He could as well be speaking for the nation. The charts at left show the recession's progress. They show that its impact is throwing more of the U.S. labor force out of work. But they also show that this impact is weakening.

This became apparent this week when the federal government reported a rise of only 25,000 in unemployment between mid-February and mid-March, the smallest increase in the last five months. The government's report also showed a gain in employment during those same four weeks—most of it in agriculture. In the overwhelmingly more important manufacturing industries, however, the total employed dropped by almost 200,000.

Those government figures were collected by the Commerce and Labor Depts. almost a month ago. So this week, BUSINESS WEEK reporters sought from state employment officials and from businessmen an indication of what has been happening during the weeks since mid-March and what is likely to happen in the weeks ahead.

• On a Plateau—The picture presented by their reports has its bright spots (in Texas, the employment commission expects a 20,000-man decrease in unemployment this month) and its dark spots (in Philadelphia, unemployment is still rising sharply and there's fear it will extend further into retail and service trades). But in general the picture is one of unemployment reaching a plateau, increasing here and there but in most cases staying just about as it is now.

This certainly doesn't mean that the future has a rosy glow. The number of unemployed is higher now than it has been since 1941. If the economy were operating as it has done in most of the postwar years, there would have been no gain at all in unemployment in March; in fact, there would have been a seasonal decline of about 230,000.

In one area where the sign of a near end to the recession would show up early—in the average of production workers' hours of work per week—there

was the smallest kind of gain, from 38.4 hours to 38.5 hours. This increase is too small to hint a trend either way.

I. What Loss to Weather?

State employment officials in most parts of the country say some of the blame for March's increase in unemployment must be laid to the weather. Over most of the nation there was little spring weather to inspire any upturn in out-of-doors industries such as construction, quarrying, or tourist business.

In some cases, the effects of unseasonable snow and rain spread further: In California, for instance, fruit and vegetable canneries are working a lot slower than usual because rains have

hampered harvesting.

In the Northwest, the lumber industry has been slow to step up employment, despite good weather that permitted lumber companies to start their operations earlier than usual this year. What holds it down is, of course, the lag in the construction industry.

In Louisville, 19% of the men on unemployment rolls early in March were construction workers; in Atlanta, about 15%. Of the 7,200 newly registered unemployed in St. Louis in February, more than 4,000 were construc-

tion workers.

· How Much?-But there's some question whether the blame really does rest so heavily on the weather. Toledo's weather has been normal-and there's no gain in construction there. In Illinois, Indiana, and Iowa, the picture is much the same. And in the Northeast, Connecticut employment officials say builders' hesitancy, high prices, and potential buyers' caution-not the weather -cause construction's weakness there.

II. Core of Joblessness

In the hardest-hit sector of the economy, durable goods manufacturing, there are plenty of hints that, though the bottom hasn't yet been reached, it's not far off.

From most of the major hardgoods manufacturing centers in the nation there's word that more lavoffs are coming in plants that manufacture appliances, automobile parts, airplane equipment, machine tools, and most other kinds of machinery. In Chicago, Milwaukee, Detroit, Cleveland, and Toledo, for instance, these lavoffs are expected. But state employment officials in these centers anticipate the layoffs will be small.

· One City's Pattern-In Milwaukee. where 30,000 are jobless-more than 6% of the labor force-there have been no mass lavoffs in the city's heavy industrial plants in more than a month. In the second half of March, though, 1,800 more were laid off while only 1,600 were recalled to their jobs. More lavoffs are due-and so are more recalls to work. So the trend is one of slowly increasing unemployment through at least the middle of April. Much beyond that, the durable goods producers don't try to estimate their labor requirements.

Those who have been losing their jobs in Milwaukee are mostly unskilled and semi-skilled production workers in the heavy industrial plants. A few engineers have been laid off by those industries. Retail and service businesses have recalled some of the employees they dropped earlier in the year. The number of clerical and white-collar workers in the lines at the employment offices is small but is increasing slowly.

· National Trend-This situation in Milwaukee applies, with some variations, to most other manufacturing centers in the nation. But each area has its special situation, of course.

In Pittsburgh, for example, more than 10% of the labor force is jobless, and most of these are steelworkers. Observers there say employment should gain later this month. The reason: In the last month, one steel plant after another has shut down for two or three weeks to bring production into line with orders; soon they'll be reopening and recalling many of their workers. In New York, unemployment is likely to increase slightly; this time of the year is traditionally a slack season for production workers in the city's garment industry

· Ended Benefits-Where the recession hit hardest and earliest, one factor is beginning to cloud the issue of how many are out of work. Those who have exhausted their state unemployment benefits are no longer carried on unemployment insurance rolls. In Michigan, 36,500 jobless have been dropped from the rolls in this way since the start of the year; another 24,000 probably will be dropped this month. In Atlanta, names of those who have exhausted their benefits are being dropped from the rolls at a rate of

4,000 a week.

And in some Midwestern cities, a second factor is lopping others from the unemployment rolls. Toledo employment officials, for example, recently cut their estimate of the city's unemployed by 1,500. They calculate that this number has left the city-most of them farm families from Southern states who head back to the hills when times get tough in Northern manufacturing plants.

III. Unemployment's Edges

Outside the hard core of unemployment in the durable goods industries, joblessness in other sectors of the economy remains fairly low. But there are some pockets of it:

Mining areas in the Western states have been hard hit. Kennecott Copper Corp. has dropped 3,000 of its 9,500 employees in those states. Of this, a Utah businessman says: "Foreign mines manned by workers who can exist on fish heads are killing domestic mines, where the workers eat steak."

· Where It's Steady-Almost everywhere, employment in the retail and service industries remains fairly steady. Even in Pittsburgh, where jobless totals are among the highest in the country, state employment officials say retail employment is "healthy." Certainly there's little expansion of staffs in most stores, but about the only place where cuts are showing up is Philadelphia. There's still unsatisfied demand for office workers in the West and some parts of the South.

And for all the cries of the airplane manufacturers around Los Angeles, here's what one aircraft engine builder has to say: "We've got literally hundreds of openings for skilled personnel going begging. . . . It seems to me that after all these prosperous years, jobhunting has become a lost art. People are so security-minded, they won't let go of a job-not even when it lets go of them. When they're laid off, they'll work in a gas station or a supermarket, waiting for their old job to reopen. They won't take anything comparable and permanent.'

To balance that, consider the situation at Lockheed's plant at Marietta, Ga. There, the work force is 5,000 under normal, and the company expects little extra hiring this year.

IV. What's Ahead

BUSINESS WEEK'S reporters found few companies that could say they plan to expand their payrolls in the next month. Nor, for that matter, would many say they plan further substantial lavoffs. And except for the fact that most of them are durable goods manufacturers, there's no particular pattern among those that do have plans.

In the electronics industry, for example, a few manufacturers say they will drop employees in the next couple of weeks, vet others in the same industry, sometimes in the same section of the country, talk of recalling em-

plovees.

Officials in most states will attempt no estimates of unemployment beyond mid-May. But their views-also based on reports from companies in their districts-add up to a general picture of fewer lavoffs, but little new hiring.

One Salt Lake City businessman puts the whole thing this way: "If a man wants to be bullish, he can probably find some reasons. But if he wants to be bearish, he doesn't need to look for

Stores Hit From Every Side

In most cities, Easter retail sales were battered by the weather, the recession, and the calendar. Still, there was a scattering of bright spots around the country.

Everything ganged up on retailers this year to make this the toughest Easter in years: the recession, the calendar, the weather—and, in Birmingham, Ala., a week-before-Easter transit strike that cut deep into sales.

From coast to coast, merchants found Easter volume below expectations. There were only a few bright spots. In Washington, D. C., with heavy tourist travel, stores either report slight gains or said they matched year-ago pre-Easter figures. Portland (Ore.) merchants said sales were better than expected, but even there they admit that March-April figures will just barely match 1957 sales volume. Denver reported a late three-day sales spurt. From Houston, the word was especially cheerful; comments on Easter sales ranged from "good" to "tremendous."

In the New York area, the only Fed-

In the New York area, the only Federal Reserve Board district to show year-to-year gains from January to the end of March, three of the biggest retailers think March-April figures will be slightly higher than a year ago. Boston merchants, too, said that pre-Easter business was ahead of last year.

 Glum Majority—But BUSINESS WEEK reporters who talked to merchants in other cities this week found a preponderance of evidence that sales volume skidded pretty sharply.

When sales decline, retailers are always inclined to blame the weather. This year, they are undoubtedly right. An Atlanta shopkeeper termed the rainy, cold, windy weather "disastrous." The bright optimism for a good Easter voiced by San Francisco retailers a month ago was swept down the drain with the record heavy rains of the past few weeks. The same thing happened in Los Angeles.

 Bad Weather Blamed—"The weather murdered us," said a Philadelphia store. There retailers registered a narrow range of reactions to the pre-Easter season from mildly displeased to utterly unhappy.

In Pittsburgh, where merchants also blame bad weather, sales are ahead of a year ago—but because of the early Easter, the March-April sales total will be hard put to match 1957.

Actually, it is harder than usual this year to make year-to-year comparisons that give any true picture of what's happening to sales. For one thing, sales were undoubtedly lost through the two-week-earlier 1958 Easter. This makes the two-month period extremely

difficult to predict. But in Chicago, where sales matched neither last Easter nor retailer expectations, a merchant had this to say: "I shiver to think of what may happen in the rest of April... I expect to be off 25%-28%."

• Recession—Few retailers will admit that the recession so far has been an important culprit in the sagging sales picture, although some now see signs that its effects are growing. A spokesman for a major Milwaukee department store cautioned: "The slight pre-Easter pickup has disguised the depths of the present slump in retailing. A lot of people are going to receive a rude awakening during these post-Easter days." Detroit merchants, more tightlipped than ever about dwindling business, aren't really disappointed since they didn't expect much. But one complained, "It looks as though the next couple of months may get worse."

What's more, one city had little reason to blame the weather. Spring finally hit Cleveland last week, the temperature going as high as 63F on Saturday. But that same day, downtown Cleveland was deserted.

• Finery—What did sell were the traditional Easter fineries—hats and accessories. Men's wear was reported poor right across the country—while chemises for women and children's wear led the parade. In Chicago, retailers said that, in the main, only children were outfitted for Easter. As proof that adults wore last year's apparel, one major Chicago cleaner had a 25% increase in business before Easter.

Appliances and furniture sales, always hit hard by Easter, are suffering even more than usual.

 Holding Firm—Prices in stores, most retailers insist, haven't declined, and the prospects in some lines are for higher tickets, particularly women's dresses because of the garment workers' boost this spring. But special post-season promotions have already started.

Some cracks have appeared in the price structure, although the flurry that attended the end of fair trade on small appliances has just about ended. In St. Louis, Sears, Roebuck this week launched a hefty price promotion sale with reductions of 25% across the board in softgoods and appliances. That follows a big furniture store's sale in that city, with advertised cuts of 20% to 50% on furniture, rugs, and appliances.

The president of this quality store



said he had buyers combing the markets for the past three months: "At first we were told no deals were available, but soon we got offers." Another store has just been offered \$50,000 worth of rattan furniture at 50¢ on the \$1 after being turned down 30 days ago by the same factory.

 Clouded Future—Not many merchants are willing to predict what lies ahead. In Los Angeles, though, the manager of a luxury department store has the rest of the year pegged.

He read all the business publications, talked with other merchants, and huddled with his old business school professor. He came up with this forecast of the rest of 1958 compared to 1957: April, -13%; May, -9%; November, even; December, +3% (because of an extra shopping day).

REP. DAVE BAUMHART'S home front checkup includes visit to Lorain (Ohio) post office to inspect paint-and-cleanup job, talk with postmaster on pay and other problems.

Close-Up

What Rep. Dave Baumhart (R-Ohio) and his fellow members find at home this Easter recess will sway many a crucial vote ahead.

This week, with Congress in its Easter recess, most of the 435 members of the House of Representatives and 96 senators were scurrying around their home bailwicks for a fresh perspective on the national mood.

When Congress reconvenes, it faces basic decisions affecting the future of a limping economy—on such issues as taxes, public works, military spending, foreign trade, and replenishment of the states' fast-disappearing unemployment compensation funds. That's why this year's recess has special importance. What congressmen have seen and heard this week will bear heavily on the crucial votes ahead.

• Pain—For a lot of them, it was not a happy holiday. One such is 50-year-old A. D. Baumhart, Jr. (pictures), Republican representative from the 13th Ohio District, a compact four-county constituency along Lake Erie between Cleveland and Toledo. It is



CIO-POLITICAL ACTION COMMITTEE, lunching with Republican Baumhart, asks about jobless benefits, public works, taxes.

of a Congressman's Pulse-Taking

a district of extreme diversification from basic, heavy industry to light manufacture, from vegetable growing to wheat farming and dairying—and it has right now more than a proportionate share of economic pain.

At the end of a busy day, "Dave" Baumhart relaxes in his two-room suite of offices at Lorain (population, about 70,000)—the key city of his district, and the biggest—to contemplate past,

present, and future:

"A year ago it seemed like everyone wanted to know 'why don't you cut federal spending?' or 'why don't you cut our taxes?' or 'why can't you guys in Washington give us a balanced budget and a tax cut, too?'

"Then the Russians got their Sputniks up and I really caught it."

Baumhart lays aside his cigar, wellchewed but never lighted. Gone now, he says, is all the talk about cutting federal spending, and few are concerned whether the budget is unbalanced by \$8-billion or more.

"Here's why it all has changed," he says, shoving a paper across the desk. It is a report from the Ohio State Employment Service, showing 14,118 people in Baumhart's 13th District out of work at the end of March.

· Concentrated-More than 10,000 of

the jobless are in Lorain County alone, whose principal cities—Lorain and Elyria—depend heavily on such big, and currently depressed, employers as National Tube Div. of U.S. Steel Corp., Thew Shovel Co., maker of "Lorain" power shovels; and American Ship Building Co., builder of ore boats for the Great Lakes runs, now searching frantically for new contracts to restore activity to its once-busy ways.

"People are upset and worried about unemployment," Baumhart says. "There's no doubt about it—that's the big issue, getting people back to

work."

• Bright and Early—On a typical day last week, Baumhart arose early for breakfast at home in Vermilion, Ohio—six miles west of Lorain—with his wife and 15-year-old son, David. By 8 a. m., he was leaving his tan, two-story frame house on Exchange St. for a five-block walk to Baumhart's Drug Store—operated for 64 years by his father, who will be 85 this summer.

On the street, Baumhart is approached by an old friend, Carl Schroeder, plant manager of the Wakefield Co., which employs about 300 in the manufacture and engineering of industrial lighting systems and fixtures. "Dave, I'm going to save myself the

job of writing you a letter," Schroeder begins. "Don't cut taxes." (That, the congressman finds, is a prevalent attitude in his district.)

Schroeder also declares for extending the reciprocal trade agreements act. Baumhart listens and, without committing himself, points out that several industries in the district—chemicals, bicycles, cutlery, fish, and the toy, ball, and balloon makers—are feeling a pinch from competitive imports.

By 9 a. m., Baumhart has driven to Lorain in his Ford station wagon. Al Porkolab, the congressman's full-time "eyes and ears" in the district, and the office secretary are on hand.

At 9:30 a. m., Baumhart calls in the day's first visitor—23-year-old Joe Pelusi, who wants a hardship discharge from the army to try to rescue the family's ailing dry cleaning business.

 Main Street Stroll—Later Baumhart takes a leisurely stroll to the Lorain mayor's office, stopping at a Broadway drugstore to chat with whoever wants to talk (several persons do, mainly about personal problems), and at Lee Pfeifer's newstand to chat with the proprietor, an old friend.

"What do you hear, Lee?"

"Well, I'll tell you, Dave, people are worried a lot," Pfeifer says. "I don't





SELF-EMPLOYED REALTOR, Clarence Peters (left), wants Social Security overhaul, Al Porkolab, Baumhart's aide (center) joins talk.

MAYOR John Jaworski of Lorain, a Democrat, gets bad newsred tape in Washington will delay city's big harbor improvement. think many of 'em are mad at you, though.

"Keep your finger on the pulse for me, Lee," Baumhart says.

• Bad News-At 11:15 a. m., Baumhart and Porkolab meet with Mayor John J. Jaworski. The congressman brings bad news-the Corps of Engineers has delayed a report, indefinitely, on a survey that Lorain hopes will give a green light to a \$7-million to \$10-million harbor improvement project.

'It looks like some people in Washington are tightening up, making it more difficult instead of easier to get started on public works projects,"

Baumhart complains.

The Democratic mayor grumbles: "Well, I guess we'll have to live with it. I know it would be a year or so before any work could start, but it would give us a psychological lift.

· Labor Lunch-Lunch on this day is with a five-man delegation from the Lorain County CIO-Political Action Committee. The five are steelworkers, from United Steel Workers giant Local 1.104 at National Tube, where about 3,800 workers are laid off at present.

They ask about unemployment compensation (Baumhart says, "I'm in favor of extending payments 13 weeks with federal funds as Pres. Eisenhower suggests"); the natural gas bill ("It's dead as a dodo bird"); the harbor project and public housing; possible new labor legislation; and finally, almost as an afterthought, about tax cuts.

Baumhart explains a feeling that there may not be any cuts-"what good will a tax cut do someone who isn't working?"-and finds a good reception for this reasoning. But the labor group is not pleased when he says that any individual income tax cut probably would be tied to a cut for business as well.

· Running Scared-Two years ago, the CIO-PAC endorsed both Baumhart and his Democratic opponent. Now, they are considering whether to endorse Baumhart again in this fall's election.

He has no Republican primary opposition. His Democratic opponent in November will be a young Elvria lawyer, J. William McCray, a relative newcomer to the district

'My friends tell me that the district is safe for me, but I'm going to run scared," says Baumhart.

In 1956, Baumhart got 70% of the 160,000 votes cast in the district, Pres. Eisenhower got only 65%.

This recession is going to hurt. I don't expect to win that big this time. For one thing, there's no Presidential race. For another, a lot of the people will vote against any Republican now. Eisenhower's popularity has sloughed off in this area. People think he didn't see what was happening to businessnot soon enough, anyway."



ROBERT B. ANDERSON is the Administration's most vigorous opponent of a cut.



WILLIAM McC. MARTIN, JR., believes that a reduction would feed inflation.

Decision on Tax Cu

The President's advisers are split, and there's growing evidence that the taxpayer himself is cooling to the idea.

At 9:30 on Tuesday morning of this week. Pres. Eisenhower sat down in the White House with the four men who are his chief advisers on how to cure the recession.

By Eisenhower's own schedule-set a couple of months back-this is a time of decision. In particular, it is the time to decide whether a tax cut is needed to halt the business slide.

But when the meeting broke up after an hour's discussion, the issue had not

been resolved.

If Eisenhower had polled the four men with him, the result would likely be three to one against a tax cut now. If he had added his own vote, it would stand four to one against.

Such a one-sided vote would fail to reflect the deep and troubling division over anti-recession policy that now grips

the capital.

· Topic A-Up to now, the Administration and the Democratic leaders of Congress have moved along in a loose alliance aimed at pumping up spending. By common consent, this has been the chief weapon against the business slide.

The Easter recess of Congress interrupted this truce. It sent lawmakers scampering over their home districts, talking to voters about what should be done next. Advance reports indicate pro-tax cut sentiment is less than many politicians expected (page 26).

But when Congress reconvenes Monday, a mixture of politics, the recession and tax reduction will be topic A, with lawmakers waiting for a sign of what the Administration will propose.

· Somber Mood-The mood of the capital is-on the whole-a somber one. Neither party views the future with comfort: The Republicans because the political tide seems to be running against them; Democrats because they already control Congress and thus share the responsibility of dealing with the recession.

The recession itself is a puzzle-how much farther the slide will go, when the upturn will begin, how vigorous the upturn will be?

The effectiveness of the spending drive is a puzzle-how many dollars actually are involved and what economic

benefits will result?

Even the central philosophy of the Administration is a puzzle-is it still considering tax reduction as a lively possibility, or is it falling back on a 'do-nothing-more" policy in the conviction that the recession is already approaching an end? If one official says a tax cut is likely, another fires back a broadside denial-and the confusion

• A "Fiscal Conservative"—The key to this division within the Administration is the attitude of the President himself.

One of his closest associates-a man who sees him practically every day on matters of economic policy-describes the President's point of view this way:

Never forget that Eisenhower is naturally a fiscal conservative. He likes balanced budgets. He fears inflation.



GABRIEL S. HAUGE leans against a cut, but is taking a "wait and see" attitude.



RAYMOND J. SAULNIER favors cut as part of long-range reforms in tax structure.

that a tax cut is needed to halt the business slide, but that one could be designed to lay the groundwork for long-term growth. He has an uphill fight to convince Eisenhower and Anderson of this.

• Inner Circle Views—Eisenhower, of course, sees a great many more people about economic policy than this inner group. But the same divided counsel is found everywhere he looks.

There's the Cabinet.

Anderson heads the anti-tax cut group there, with strong support from Commerce Secv. Sinclair Weeks.

But Vice-Pres. Richard M. Nixon and Labor Secy. James P. Mitchell have been advocating a generally more vigorous anti-recession policy. They have—in the past—pushed forward the tax cut cause. Nixon has said a tax cut would be sound Republican philosophy if the recession persists, and has not retreated from this position.

from this position.

Mitchell's associates in the Labor Dept. classify him with the tax cutters, but last weekend he told a New York State TV audience that he expects an early upturn in business, and denied that his own tax views differed from those of the Administration.

Because his tax views of a month ago are losing ground in the White House—as those of Anderson's gain ground—there has been talk that Mitchell would resign. Associates deny this. Instead they see him continuing a fight that will see Mitchell emerging as a leader in the Nixon wing of the party.

• Outer Circle-Eisenhower also sees eld friends outside the government.

Last week, for example, Arthur F. Burns was in town. Burns, who preceded Saulnier as chairman of Eisenhower's Council of Economic Advisers, is now an outspoken advocate of tax reduction. He spent a couple of hours with White House officials.

George M. Humphrey, Eisenhower's first Secretary of the Treasury, was also a recent Washington visitor, calling on Anderson among others. He's in agreement with Anderson's anti-tax cut stand on the grounds that the economy will recover without one.

Eisenhower respects the opinion of both Burns and Humphrey-one for a tax cut, the other against. It leaves him waiting in vain for the clear "proof" that a tax cut is needed.

"proof" that a tax cut is needed.

"He'll never get it," one Administraton official says. "Nobody can prove such a thing in the same hard, factual way that one could say how many landing mats were needed for the invasion of Normandy, or how many tanks would be needed to throw the Germans back from the invasion beaches. That is the kind of proof Eisenhower used to demand as a general. As President, he will never get it regarding a recession."

Teeters Back and Forth

"Sure, he's been told about how a deficit could help halt a recession, and in press conferences a couple of months ago he talked about the possibility of a tax cut

"He's trying to keep an open mind, but while almost everyone else approaches a problem of this kind with the burden of proof placed on one side or the other, with Eisenhower there's no question. The burden of proof is on those who favor a tax cut. He's got to be convinced."

• Good News—This was Eisenhower's attitude when he called his economic advisers together this week, and it was not changed by the conference.

For one thing, the cagerly awaited figures for employment and unemployment in March (page 23) are more reassuring than many Administration insiders had counted on, showing a smaller rise in unemployment and a larger rise in the number of jobs than seemed likely. Soon after the meeting, Eisenhower issued a statement saying that the figures indicate a slowing up of the decline.

Wide Split-Even without this bolstering, the group of advisers—which meets about once a month and functions something like a general staff for economic policy—is too widely split on the business outlook to come up with a clear recommendation.

Consider the men who take part in these meetings, and how their ideas vary:

Robert B. Anderson, Secretary of the Treasury: The most vigorous opponent of a tax cut in the Administration. He is steadily hardening his attitude. An-

derson is chiefly responsible for a marked Administration swing against tax reduction in recent weeks. He's convinced the business slide is about over and that a healthy recovery will be made soon without tax reduction.

William McC. Martin, Jr., chairman of the Federal Reserve Board: Believes a tax cut would be a mistake on the grounds that it would feed inflation once recovery sets in. But Martin and other officials in the Federal Reserve System are increasingly critical of the Administration's own anti-recession tactics, particularly the stress that some officials have put on a recovery by midvear. Reserve officials think recovery will come later and more slowly than Administration spokesmen have been talking about.

Gabriel S. Hauge, the President's Special Assistant for Economic Affairs: Feels it's too soon to make a decision. He has been a "wait and see" man all through the tax cut debate, but expects a shakedown of opinion in the next couple of weeks. Probably leans against a tax cut, but is more flexible than Anderson. He sees signs of an end to the business slide, but expects only a mild recovery this year.

Raymond J. Saulnier, chairman of the Council of Economic Advisers: He's for a tax cut. His role is that of private adviser to the President, and does not state his views in public. He's plugging for tax reform, aimed at long-range adjustments in the tax structure, with stress on stimulating investment. A reduction in rates on business and upper income brackets is inherent in this approach. He does not argue

NEW PUSH lifts Renault's Dauphine closer to Volkswagen, the sales leader, while . . .



. . . Hillman Husky tries to capitalize on demand for station wagons, and . . .



. . . MGA, small sports car leader, gets competition from Triumph, and . . .



... Fiat, in market since last summer, tries to build a solid service network.

BEST-SELLER among "quality cars" is, as always, Britain's Jaguar (right).

Will Success Spo

Unlike the people in Detroit, the manufacturers of motor cars such as those shown on these pages have a promising outlook for 1958. Yet there's a vital question about their future.

The outlook for imported cars, according to company officials at this week's International Automobile Show in New York City, points to sales as high as 300,000 this year—nearly a 50% increase over 1957. That outlook is shadowed by a dark question: Is this the last year of the sellers' market in imported cars?

Most of the top men in the imported car business think it is. Beginning in 1955, sales of imported cars have nearly doubled every year. Last year, they more than doubled to a total of 206,800 (BW-Mar.15'58,p74). Therefore, predicted registrations of 300,000 this year—and some estimates are only 250,000—assume a sharp drop in the rate of increase.

• Must Start Selling—To the foreign auto company brass around the New York show, this means only one thing: Imported cars are approaching a ceiling in sales. For the first time, imported cars are going to have to be sold instead of merely allocated.

That makes this year's international show more important than any in the past. The show is the display window for an industry that is on the threshold of the "hard sell"—and is running interproblems of such a competitive era.

You can see this in the number onew makes in the show, trying to at tract the attention of potential buyer and dealers. It is apparent also in the presence of Volkswagen, which up to now hasn't felt it needed exposure a auto shows to needle sales (VW ha also begun an advertising program).

• Sales Leader—Volkswagen, of course has been the star performer in sales registering 64,200 cars last year. Now i is being challenged by Renault, 22,60 last year, and English Ford, 17,100 las year. In 1956, VW had 51% of the market; in 1957, only 31% of an expanded market. The pattern is continuing so far this year; of nearly 40,00 registrations in January and February VW accounted for less than 30%.



the Imported Car Market?

Cutting into VW's lead are the well-publicized makes that have gone to considerable trouble and expense to build a sales and service network in this country. But the market explosion has also been a magnet to every foreign producer who can possibly find shipping space. And that brings some disquieting thoughts to the men at the show.

• Frantic Fringe—There's a hint of this in the comments of a British representative. "Look around," he says with a

in the comments of a British representative. "Look around," he says with a wave of his hand. "You see names you never heard of. This is such a good market that everyone gets a distributor, and he can find dealers who want to sell an imported car—any imported car. Next time around, those dealers will be selling somebody else's car."

This, he implies, is simply trying to cash in on the boom, not trying to build a market base. When selling gets tough, off-brands or "orphans" are going to be dumped at any price they will bring. Whether the Britisher's forecast is accurate or not, it is revealing. It's the first indication of uneasiness among importers over whether their rigid prices

can be maintained under new condi-

• Detroit-Type Market—This uneasiness is tied to another factor of competition in this threshold year. Manufacturing costs have gone up abroad as well as here. And you hear vague mutterings that prices may have to be increased. If hot competition, and even a very small amount of dumping tends to depress prices, what happens to the factory that has to raise prices?

In essence, the representatives of foreign car companies are saying that the U.S. market for imported cars is about to become the same kind of tough market that Detroit has been bucking for years. And the importers are reacting with a prescription that is familiar to Detroit: new products, keyed to an estimate of consumer wants.

• Detroit-Type Design—Accordingly, you'll find fins on some imports, notably the Sunbeam Rapier. Many makes feature "two-pedal control" (automatic osemi-automatic shift), more glass area, more two-toning of colors. And there is a wide variety of station wagons avail-

able among imports, including Borgward, Taunus, and Opel from Germany; Triumph, Hillman, and Vauxhall from Great Britain.

Familiar also to followers of the U.S. auto market is the broadening of lines. From France comes a new nameplate, the Peugeot, a medium-priced car that will be sold by Renault dealers, who up to now, have had only low-priced cars. Triumph, whose TR-3 is making great inroads on the dominance of the MG in the small sports-car field, is introducing a small sedan, along with its station wagon. Ford Motor Co. is introducing its German Taunus in both a sedan and a wagon. General Motors' Vauxhall will add its medium-priced Cresta and Velox to its small Victor.

Emphasis of the importers still is on small cars, but the men from the foreign factories say that their real market in this country is not for small cars as such. For imports there is, and always will be, a "specialty market" of limited size. The small car market is a separate thing, and if it attains real size, will be filled from Detroit.



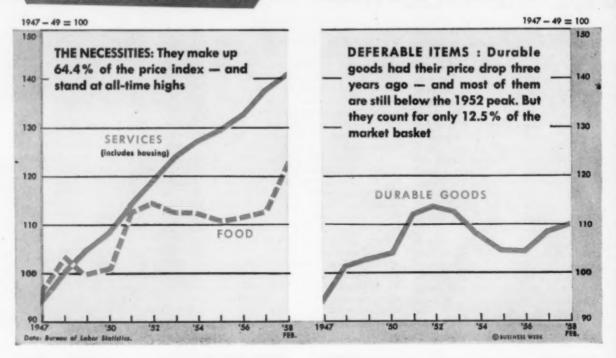


NEWCOMERS to U. S. market are first Iron Curtain car, Czechoslovakia's Skoda, above left; German Taunus, above right, and Gogomobil, below left; and France's Peugeot, below, which will be sold in U. S. through Renault dealers.





Consumer Price Index



What's Holding Up the Prices?

Added together, the elements in the charts above account for more than 75% of the cost of the family market basket whose price fluctuations are measured by the Bureau of Labor Statistics' Consumer Price Index. In February, that index hit an all-time high, and almost certainly it will show a new peak when the March figure is announced within the next few days.

The elements help to define an apparent paradox: a rising price level at a time when almost every leading economic indicator is headed downward.

They raise two questions:

 Are the prices that people are actually paying truly reflected by the charts?

• If so, how to explain it?

The most frequent criticism of the Consumer Price Index is that it fails to account for the off-list prices that bargain hunters are increasingly able to find. This just isn't so, say CPI technicians. In durable goods, BLS shoppers price the discount houses as well as traditional outlets. In softgoods, they pick up the normal promotional sales. In food, they are in the supermarkets like anybody else. They shop for the same goods that BLS says city wage earner and clerical worker families—representing 40% of the population—were buying in 1952.

The CPI index doesn't pretend to measure what these people today are actually spending or buying. But it does show what they would have to pay if they bought in the same manner as they did in 1952.

• Squeezed Budget—There's no doubt that many people are feeling a tight squeeze in the family budget—a squeeze that can account for much of the caution of consumer buying (page 25). The fact is that every one of the factors that go into what can be considered necessities—food, services, and shelter—is priced substantially higher than a year ago, despite the recession. This comes at a time, too, when per capita income is on the way down.

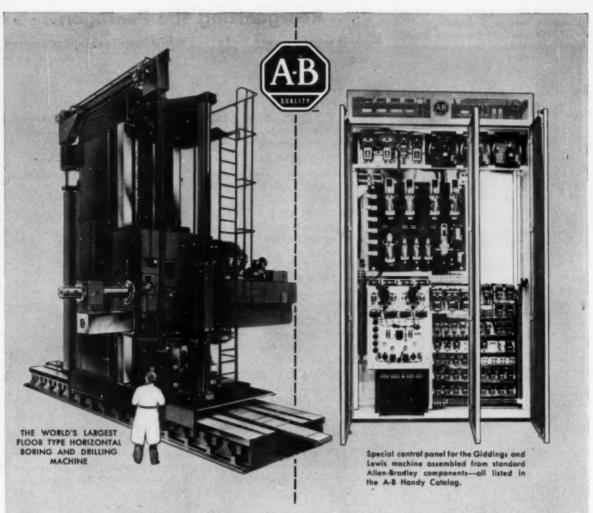
• Food—Take food, for example. It is one of the biggest elements in the index –28.7% of the total market basket. In both the 1948-49 and 1953-54 downturns, this part of the over-all index declined. Today, it is still going upand gets the chief blame for the steady rise in the over-all index. When food prices start declining, the whole index should dip; BLS Director Ewan Clague this week predicts that will probably happen in May.

Food has been particularly rigid in the past few months because of bad weather this winter and drought conditions in the cattle country two years ago. Fresh fruits and vegetables are higher, putting a squeeze on frozen and canned goods. In meats, the price of beef has climbed steadily, now that farmers are rebuilding their depleted herds. Consumer reaction has been a downgrading into cheaper cuts and grades (BW-Apr.5'58,p88).

Services and shelter—which cover housing costs, real estate taxes, haircuts, utilities, doctor bills, and a host of other items—make up 35.7% of the in-

If there is a paradox in this part of the consumer economy, it's one that goes back to 1937. There hasn't been a year-to-year decline since then. On a 1947-49 base of 100, this index has risen from 107.9 in 1949 to 141 in February of this year. Historically, the prices of services move up slowly during a boom, and tend to drop slowly during a recession. But it would take a major recession to bring down the prices of services.

• Deferable Goods—It's when you get to those items that people don't have to buy that what appears to be a paradox becomes less so. True, the over-all indexes for both consumer durables and nondurables are higher than a year ago. But since November, when new auto models were introduced and there was a seasonal hardening of prices for



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Christmas business, both softgoods and hardgoods have been declining.

What's more, in consumer durable goods, the index figure is lower than for any postwar year except 1950.

During the first postwar recession, as the charts show, durable goods staged their own version of a paradox at a time when food was declining. They barely felt the impact of the 1948-49 downturn, presumably because of pentup demand created by World War II shortages. Auto prices, for example, were shooting up to recover from wartime controls. Then, in the 1953-54 dip and continuing through 1956, durable goods prices were sliding—even at the height of the auto boom in 1955. It was a period when discount houses became important and auto companies were staging price blitzes—and the index reflects this.

New car prices, as tagged by CPI, are higher than a year ago. Used car prices, though higher than in 1957, are dropping faster than they did last year.

• Softgoods—In softgoods, apparel has worked much the same as durables during the postwar period. Between January and February, prices reported by BLS have continued to decline contraseasonally. Only in four out of the last 12 years have February softgood prices been below January's.

• Price Lag—Even so, merchants insist that there has been no evidence of a general price shrink—and CPI confirms this. The outlook for food, at least for a couple of months, is upward. Durables can't come down very far, unless the bottom really falls out of the economy. In New York, a big apparel buyer sees little chance of price cuts, particularly in women's dresses, because of the recent garment workers' wage boost.

There are chinks, of course. Sears, Roebuck plans new catalogue reductions averaging about 10%, but 6% of that is seasonal. Montgomery Ward has cut prices an average of 12%, and other manufacturers have announced some cuts (BW-Mar.22'58,p78). But so far as the consumer is concerned, they all don't add up to much relief.

• Balance—Wholesale prices also are holding generally firm. Here, too, BLS figures are at a peak, and going higher.

There have been some primary cuts. Aluminum ingots are down 2¢ per lb.; crude oil prices are off; and some chemicals have come down.

But this week business week reporters checked major appliance makers and found that so far as component parts are concerned, there is simply a balancing out. On one hand, metal fabricated parts and components made of lead, aluminum, copper, and zinc have decreased in price. On the other, prices of tubes, motors, compressors, steel, plastics, and glass goods have increased slightly.

Reorganizing the Pentagon

How it works now:

What the President proposes:

MONEY-

Congress votes funds directly to Army, Navy, Air Force.

Congress would vote most funds to Defense Secretary to allocate among services.

SERVICE ROLES AND STRATEGY

Secretary can shift only non-combat assignments among services. Secretary could assign combat roles according to over-all strategy.

PROMOTIONS -

Services effectively control promotions to all ranks—except chairman of Joint Chiefs. President and Secretary would select officers for promotion to lieutenant-general, vice-admiral.

MILITARY PLANS

Joint Chiefs retain responsibility for their individual services.

Joint Chiefs, with expanded staff, would be less tied to services, which would, in effect, be commanded by vice-chiefs.

TOP COMMAND

Unified commands report to heads of an individual service.

Unified commands would report directly to Joint Chiefs of Staff.

FIELD COMMAND

Only eight commands, most of them overseas, have been unified. Operational forces in U.S. and overseas would be unified under Defense Secretary.

RESEARCH & DEVELOPMENT Each service has its own R&D program, except that Advanced Research Projects Agency runs space

search Projects Agency runs space programs, Director of Guided Missiles supervises missiles. New "Director of Defense Research and Engineering" would head all defense R&D, including missiles and space.

LOBBYING AND PUBLIC RELATIONS

Each service has its own public relations and lobbying staff. Public relations and liaison with Congress would be centralized.

Congress will go to work next week on Pres. Eisenhower's proposals to reorganize the Defense Dept. (table, above)—and a good many of the changes may not survive the encounter.

In the first place, many Congressional leaders oppose more centralization in the Pentagon, partly from a deep philosophical fear of militarists. In addition, the proposals would strip Congress of some of its own powers, and it's traditionally reluctant to surrender them. The opponents of reform include such potent lawmakers as Sen. Richard Russell (D-Ga.), chairman of the Senate Armed Services Committee; Rep. Carl Vinson (D-Ga.), head of the House counterpart; Sen. Styles Bridges (R-N. H.), chairman of the Senate Republican Policy Committee, and Rep. Leslie C. Arends (R-Ill.), ranking GOP member of the House Armed Services Committee and minority whip.

The last three have joined Sen. Mike Mansfield (D-Mont.) to introduce bills that would decentralize the Pentagon and give the individual services more authority-just the opposite of what the President wants.

• Yes and No—The odds are that Congress will go along with the Presidential proposals to put all weapons development under one Pentagon research and engineering czar and to unify commands of all operational forces. But it seems sure to nix the proposed transfer of operating control over the services to an enlarged joint staff and extension of the Defense Secretary's authority over the budget and combat roles.

Pres. Eisenhower himself shaped the reorganization proposals. Ever since his days as Army Chief of Staff, he has felt strongly on military unity. He was also influenced by Defense Secy. Neil McElroy, who has been dismayed by the way the present setup leads to interservice squabbling.

Administration attorneys are drafting a bill to implement in detail what the President outlined. In the process, they are trying to decide how many of the recommendations can be put through by executive action—and how many will need an O. K. from Congress.



PHOTOGRAPH BY KARSH OF OTTAWA

From his pulpit Fred Dresch preaches tolerance

• Fred not only talks tolerance, but from his pulpit, or control station of a modern Sendzimir Mill, he cold rolls strip steel to extra fine dimensions for those customers who require material of exacting specifications. He is one of a team of experienced rollers who work with the industry's most modern equipment to assure users of the highest quality possible when they specify Sharon Steels.



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In Business

Former High U.S. Officials in Combine Buying Freighter-Tanker Company

Grabbing at a bargain while shipping is in the doldrums, a new combine that includes several former high U.S. officials last week bought Marine Transport Lines, Inc., operator of some 60 freighters and tankers.

The new combine—Oswego Navigation Corp.—is owned 80% by Shipping Corp., many of whose stockholders also belong to the Trinity Tanker group (BW—Mar.2'57,p32).

Oswego shareholders include H. Lee White, former Asst. Secy of the Air Force; Charles E. Wilson, former Defense Secy.; Roger M. Kyes, a GM vice-president; and Dr. C. Y. Chen, president of Trinity Tanker.

Midwest Truckers Ask Rate Boost In a Hurry, and Mandatory for All

Central States Motor Freight Bureau, representing 790 truckers in the Midwest, has asked the ICC to grant mandatory 5% to 7% emergency rate boosts on a long list of commodities. CSMFB says many truckers in the area are in a "precarious financial position," with revenues squeezed down by heavier labor costs.

The truckers want ICC to postpone action on their earlier request for a floor under rates, and to take immediate action instead on the mandatory boost.

More Lower-Bracket Executives Coming Under Overtime Pay Umbrella

Overtime pay is in sight as of May 5 for an increased number of lower-bracket employees in the executive, administrative, and professional categories.

An amendment to the federal wage-hour regulations, certain to be adopted, raises the maximum salaries on which the law requires payment for overtime work. For executive salaries, the maximum will go up to \$80 a week, from \$55; for administrative and professional personnel, the rise is to \$95 from \$75. The Labor Dept. figures that perhaps 100,000 workers will be affected.

Congress Gets Bill Overhauling Fed's Regulation at Bank Reserves

Last week Congress received a long awaited proposal to overhaul the Federal Reserve's power of bank reserve requirements—a major weapon of credit control (BW—Feb.22'58,p157).

The bill, which has the blessing of the Fed, contains only two important changes:

• Reserve requirements for central reserve city banks—the largest banks in New York and Chicago—would be set in a 10%-20% range, instead of the present 13%-26%.

· Cash in vaults would be included in reserves.

Both items would pump more lendable funds into the banking system. But the Fed made it clear it had no plans to put either change into effect all at once, but would seek a gradual reduction in reserves.

Actually, the Fed needs no new law to cut requirements again, as it has done twice this year. But, having supported the new bill, it will probably defer any moves until Congress acts.

Official Says Air Force Rocket Spending Will Top Manned Aircraft by 1960

The space age will bring marked changes in Air Force procurement, Under Secy. Malcolm A. MacIntyre told the Society of Automotive Engineers this week.

By 1960, MacIntyre said, spending for manned aircraft would be about halved from the 1956 figure, down to \$2-billion, while something like \$2.8-billion will be spent on rocket weapons. Today's secondary sources, such as electronics and propulsion equipment, will be the prime contractors of the future, he added.

MacIntyre said that mass production would be less important, at least in the early stages of space exploration, because hardware would be bought in batches of two to five items.

Business Briefs

The U.S. this week paid off \$3.4-million on a defaulted ship mortgage—first time it has had to dip into the till on a guarantee authorized by the Merchant Marine Act of 1936. The payment was to the Prudential Insurance Co. for the trailer ship Carib Queen, owned by T.M.T. Trailer Ferry, Inc. (BW-Nov.9'57,p104).

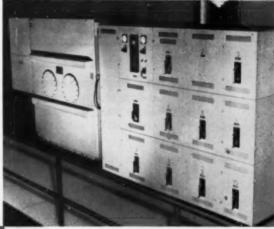
The Commerce Dept. reports a \$700-million cutback in trade and manufacturing inventories during February, on a seasonally adjusted basis. Sales dropped twice as much, with durable goods manufacturers taking the heaviest rap.

Baltimore's controversial tax on advertising will be officially dead on Dec. 31, just a year after it went into effect. Mayor Thomas D'Alesandro this week signed the repeal ordinance killing the 4% levy on the gross sales price of ads in Baltimore and a 2% levy on gross receipts of media (BW–Feb.15'58,p69).

Canada's \$3-million underwater blast went off with a bang (BW-Mar.29'58,p78). A charge of 1,375 tons of explosives sheered off 40 feet from the tops of the underwater reefs called Ripple Rock, and successfully cleared the ship passage north from Vancouver.



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WASHINGTON OUTLOOK

WASHINGTON BUREAU APR. 12, 1958



Odds now are against any general tax relief this year.

Pres. Eisenhower is convinced the recession is bottoming out. News reports still show a mixed picture. Steel and auto production aren't encouraging. But employment statistics (page 23) show some improvement. The number of people losing jobs is declining. The number at work showed a rise in March.

Then, there's the politics. Spot checks with members of the House and Senate now spending an Easter vacation with the voters are highly revealing. The expected mass sentiment for tax cuts hasn't developed. Except in some acute unemployment areas, such as Detroit, tax cuts aren't being talked up by voters the congressmen are seeing.

So, watch for the Administration to stiffen against tax relief.

Here's the reasoning thrown at news reporters as they contact first one and then another Eisenhower adviser: This recession is a shakeout, a sort of settling down after a terrific capital spending splurge. And, it has about hit bottom. As you talk to the government specialists, you get the impression they feel that Washington already has done just about all it needs to do at this time.

The reliance is on higher government spending and easier credit.

Spending is rising sharply, as Business Week reported last week (BW—Apr.5'58,p30). The prospect is that the combination of more money for defense and more for public works will push the annual spending rate above \$80-billion by this year's end.

On the credit side, the Federal Reserve Board is seeing to it that the supply of lendable funds is on the easy side. The most advertised moves are the cuts in the discount rate and the reduction in required reserves of banks. Also, the Reserve's prop under the bond market is more vigorous.

The Washington mood, as reflected at the White House, can be described as "cautious optimism." There's no doubt that Eisenhower feels that he has done all that needs to be done up to now. There are many dissenters. But these experts are found mostly at the career level in government. They are not the men who talk economics with the President every week. The men who really get their views across to the President (page 28) can be named on the fingers of one hand—Gabriel S. Hauge, the President's closest economic adviser; Treasury Secy. Anderson, a former Texas Democrat and a conservative; the head of the Federal Reserve Board, Martin, who turned the credit screws down last year; Chmn. Saulnier of the Council of Economic Advisers. Influential are a few businessmen who play golf and bridge with the President. And this includes former Treasury Secy. Humphrey.

The Easter recess won't bring any big, new tax cut push. We have made spot checks with congressmen who are home visiting with the folks (page 26). Their reporting is that while the public is worried about the recession, voters are not demanding a tax cut.

Here's a sample from the House Ways & Means Committee—the committee that originates tax legislation:

Eberharter, a Democrat from Pittsburgh, where 10% are unemployed,

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU APR. 12, 1958 reports only light pressure for a general tax cut, but heavy pressure from industry for excise relief.

Sadlak of Connecticut, a Republican, finds the major concern centering on extension of unemployment benefits. He reports tax relief as a second-running issue.

Boggs of Louisiana, another Democrat, finds sentiment for excise reductions, but no strong pressure for general relief.

Simpson of Pennsylvania, a Republican, finds considerable sentiment for tax relief. But, he notes, you have to bring the subject up.

Curtis, a Missouri Republican, reports that his voters like the idea of a tax cut, but aren't pushing him hard on the issue.

A later tax cut is in the making for next year, not this. Secy. Anderson and the President both see no need to decide now, though—the Administration is becoming more convinced it can weather the recession without tax relief. Any cut made now, the President's advisers reason, would be overly colored by politics, in this election year.

The talk in the Administration is tax cuts to stimulate expansion. Plans are not firm at this stage, but the general idea is that capital should have a better earning power—get a "wage rise."

One plan would provide relief on capital gains. This has been kicked around for years. Variations are many. They range from doing away with the present six-month holding period, to no tax at all on profits from capital.

How to tax corporation profits also figures in. Some of you remember the Roosevelt scheme to tax undistributed profits—give relief to companies that pay out current earnings in dividends, soak the companies that hold back earnings. This was discredited in the 1930s when it was advanced as a corporate reform. It is being talked of again, but as a tax reform rather than as a business reform. It would allow companies to deduct dividends paid in much the same manner that they now deduct interest paid.

Political appeal would be limited—and some offsetting aid to individuals probably would have to be given, even in an off-election year. But the Administration believes the program can be sold as a business stimulant that would provide more jobs and renew the capital expansion drive.

Take note of Eisenhower's spirits. He is excited over his defense reorganization plan, and gives evidence that he will push the program despite opposition from the uniformed brass, and from Congress. He feels he is operating from his greatest strength—as an old soldier.

The President looks well. Most reporters think he looks better than at any time since the heart attack in Colorado three years ago. He is working longer hours in the White House, playing more golf.

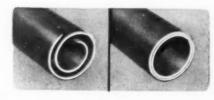
There is a new aggressiveness about him. Eisenhower has looked to his press conference sessions with reporters without much enthusiasm, but now he seems to get a real kick out of them. He is enjoying the give and take. He can't run again, his intimates say, but he can have his influence—give a plug to Vice-Pres. Nixon, for example. Friends say that Eisenhower accepts the fact that Democrats will gain seats in Congress this fall, in both the House and Senate. But he is betting on a Republican comeback in 1960.

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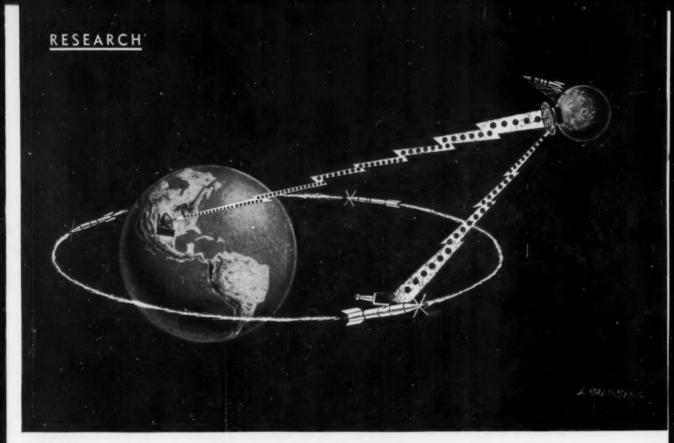
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Why the Moon's a Key Spot

A base on the moon will be the key to control of the earth—and its manmade satellites—as many U.S. scientists and military men see the future. They're already working out a timetable—a "hard shot" this year, a landing of instruments in 1959, a human "round trip" by 1970.

From Pres. Eisenhower's decision last week to shoot for the moon (BW-Apr.5 '58,p34) to the spatial traffic problems in the artist's sketch above may be a long and arduous journey. But with satellites already circling the earth and moon shoots on the way perhaps before the end of the year, man-for better or for worse-has committed himself to this adventurous journey and embarked on its first stages.

What the moon can mean to him in terms of fuller knowledge of his own world-and why many scientists and military strategists consider it the key to control of the earth-is no longer just a subject for science fiction but a matter of vital importance for man's life on earth, and for the position of the

U.S. in the world.

· Heated Battle-The U.S. part in the journey into space is not getting under way without a hot debate. On the one side, a vocal group of well-known industrialists and scientists, such as Pres. Lee A. DuBridge of the California Institute of Technology and Simon Ramo of Ramo-Wooldridge Corp., are openly questioning the expenditure of any such sum as \$90-million or \$100-million for moon-probing vehicles.

They argue that such moon shoots, though psychologically appealing, are highly extravagant when such things as missiles and unmanned earth satellites still need a full concentration of U.S.

brainpower and money.

Against them are arrayed a large segment of the military, plus a growing number of reputable scientists who firmly believe that anything short of an all-out program to get men and materials to the moon as soon as possible is courting national suicide. In the argument, these men are hobbled in part by security considerations, and have been forced to bide their time.

In their view, however, the moon is

a mandatory and inevitable goal, both scientific and military-and their case is both startling and sobering.

· By Stages-From a scientific viewpoint, exploration of the moon has certain immediately obvious uses. But the exploratory work can be carried out only in successive stages, tackling the problems involved in the order of their

First and easiest is a so-called "hard shot"-an explosive charge that would explode when it hit the moon and could be watched by telescope from the earth. This is the simplest to achieve with available rocket hardware and tech-nology. It will give a big political and psychological lift to the nation that gets there first. But such a shot, or series of shots, will also provide valuable data. The vehicles, besides a chemical ex-

plosive charge, would contain instruments to register and relay back to earth, before the explosion, important facts about the moon's magnetic field and radiant temperature, cosmic rays, and spectrographic information about the moon's surface. All this would be of immeasurable help to scientists thinking in terms of manned space ships.

Second stage will be a "soft" land-

ing on the moon's surface of an unmanned vehicle containing scientific in-



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struments to send back less fleeting data. Some missile experts see this as possible only a few years behind the first "hard shot," which both the U.S. and the U.S.S.R. could start this year. A "soft" landing will be much trickier, however, because of the moon's virtual lack of atmosphere, but scientists think it can be done by using "retro-rockets" that fire in reverse to hold a vehicle back, and automatically inflatable air cushions to absorb the impact.

Perhaps about the same time, scientists are thinking of sending up moon satellites—manmade vehicles that would be put into orbit around the moon to relay long-term data back to earth. Photographs of the far side of the moon, never visible to earth, might be a revelation. And any light on the moon's history and origin could help to clear up many mysteries about the earth.

Third and final stage in moon exploration will come when man himself goes hurtling over the 239,000 miles to the moon's surface to take over the job in person. Guesses on this run anywhere from 10 to 20 years from now. The first trip will likely take two to two and a half days each way and the pioneer will probably stay only a half hour to rig up remote control experiments.

Military Luxe—To the military strategists, thinking in terms of the use of the moon as a military base, all this is just a preliminary. Why they want to go on from there—why they feel the moon would be the ultimate and unassailable defense weapon—why they are sure all the additional energy and money would be well justified—is clear from their reasoning.

Here is the way Brig. Gen. Homer A. Boushey, deputy director of research and development for the U.S. Air Force, and his strategists figure it. If the U.S. had a base on the moon, any enemy—the Soviet Union or any other power—would have to launch an overwhelming nuclear attack toward the moon from its own land bases two and a half days before attacking the continental U.S.—or face sure and massive destruction from the moon base 48 hours after it attacked the U.S.

If the enemy launched the preliminary missile attacks on the moon, these could not escape detection. If it didn't, self-destruction would be the price paid for its aggression.

That also means that if the U.S. and U.S.S.R. simultaneously set up missile bases on the moon, the result would be an irrevocable standoff.

• Facts of the Case—The military men see other advantages in a moon base, too. Their reasoning starts with the known facts and scientific assumptions about the moon, and the problems, as well as the opportunities, these offer.

Gen. Boushey sums up these factors. To reach the moon, man must travel



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out of the earth's atmosphere through a region of ultraviolet and cosmic rays. meteorites, fantastically low pressures, and extremes of cold and heat. Gravity on the moon is estimated at about onesixth that of the earth. The moon is virtually devoid of atmosphere. It rotates so that one half of its surface always faces the earth. Its diameter is about one-quarter that of the earth. And until proven otherwise, it must be assumed that the moon is composed of the same elements we know here.

· Advantages-All this presents problems for man's use of the moon-but also has advantages. To shoot a warhead from the moon to the earth, Boushey says, would take only one-fifth or one-sixth the energy required to launch it from the earth to the moon. It requires a velocity of 25,000 mph. to escape from the earth-only 5,000

mph. from the moon.

The moon's possibilities as a reconnaissance point or the use of it as "high ground" also intrigue the strategists. Chiefly because of the moon's lack of atmosphere, some scientists think that with moderate-sized telescopes on the moon they could distinguish objects on the earth about 100 ft. long. So a goodsized telescope on the near side of the moon could monitor the position of all ships at sea, all major new surface construction and the exact position of all above-ground missile launching sites. The moon would have the edge over artificial satellites, many scientists claim, because of its size and the fact that, unlike manmade vehicles, it doesn't spin around at a fantastic rate.

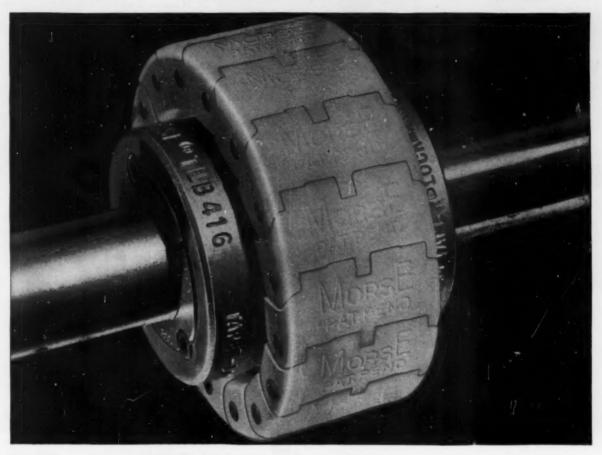
Beyond that, the strategists envision launch sites on the far side of the moon -invisible from earth but able to be

controlled by radio wave.

· Moon Missiles-Missile launchers on the atmosphere-free moon wouldn't have to worry about high winds or weather. Moreover, they could observe and guide their missile from start to impact-since a site on the near side of the moon would always face the earth. For the same reason, any missile attack launched from earth to the moon could be seen coming for 48 hours, with plenty of time for countermeasures. Even a nuclear detonation close to a moon missile launching base would do little or no harm unless it was a direct hit-without atmosphere, there would be no blast effect on the moon. Antimissile defense from a moon base would be much simpler, too, because the pull of gravity on the moon is far less than on earth, and things fall much slower.

Without these advantages, the earth's defense against a moon-launched missile would be far more difficult. Such a mic. sile, it's true. would also be 48 hours on the way. But because of the earth's rotation it would be visible from any

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given spot for only part of that period. If launched when the moon was hidden from the target area, the missile, coming toward the earth end-on, would be extremely hard to detect.

• Moon vs. Satellites—Before the military strategists can make use of the moon's advantages, however, the scientists have to figure out ways of "soft landing" equipment on the moon in quantity—including enough oxygen and food to keep men alive until they get the project started (once it's under way, scientists figure they could extract oxygen from oxides found there).

Scientists believe it's only a matter of time until this can be done, and man can prepare himself to exist under the moon's gravity conditions. In the interim, military leaders agree, the emphasis must still be on getting manmade earth satellites into orbit. But once the first moon-earth relay system is set up, any such satellite—whether sent up for reconnaissance, jamming hostile communications, or whatever—would be a sitting duck. It would be relatively simple, strategists say, by sending signals simultaneously from moon and earth, to speed a bomb-bearing missile head to destroy any satellite.

The moon has many other long-range advantages over artificial satellites. On these, everything man has to use must be put there before he rockets up from the earth. But the moon has sources of energy; rocket fuel could probably be made from moon minerals and stored underground, and water produced from ores found on the moon. And man could undoubtedly survive more easily for an extended period on the moonmoving at 2,000 mph, and rotating much as does the earth-than on something like the Russia's Sputnik II (which is toppling crazily end over end) or the U. S. Explorers (which are spiraling like bullets

• The Odds—How far off is the "moon age"? According to most missile men, the odds on putting a "hard shot" on the moon with equipment now in use is a 50% or 70% chance with any given rocket. A "soft landing" that would put 50 lb. of instruments on the moon could probably be achieved with any of the big rockets now coming into use (Thor, Atlas, or Titan) before the end of 1959. To land a man on the moon and get him home again safely will take an engine with a thrust of 1-million to 2-million lb., and a 15,000-lb. pay load—but that, too, can probably be done by 1970.

The big question in the minds of those closest to developments is this: Will the Russians be there already when the U.S. gets there? Reports from behind the Iron Curtain are that the Soviets may try to shoot a man up into space and recover him in the next few weeks. END



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In Washington

Congress Dishes Out More Money In Anti-Recession Highway Program

Only Pres. Eisenhower's signature was necessary this week to put an extra \$700-million into highway construction in fiscal 1959—\$200-million more for interstate routes, roughly \$500-million for other roads. Congress cleared the emergency anti-recession highway measure last week.

The bill's biggest boost in spending was made possible by removing pay-as-you-go provisions that would have limited roadbuilders to the money in the gas and oil tax trust fund. Besides the \$700-million for fiscal 1959, this let loose an added \$900-million for interstate roads in fiscal 1960 and \$1.3-billion in 1961—for an additional sum of almost \$3-billion.

Along with the cash, Congress voted a check on bill-boards and an incentive to states to go along. Signs are banned along interstate highways if they tout something more than 12 miles away. As a reward for compliance, states would get a bonus of one-half of 1% on top of the 90% of the cost the federal government is already anteing.

The same measure increased from 70% to 90% the reimbursement the federal government would make the states for payments to utilities that must relocate facilities to make room for a highway project.

Presidential Veto Held Less Likely On This Year's "Pork Barrel Bill"

In the flurry of business before the Easter recess, Congress found time to vote its biennial "pork barrel bill," known more formally as the rivers and harbors authorization bill. It says, in effect, that the lawmakers want some \$1.5-billion worth of public works projects—including a Missouri River basin development costing \$200-million—but will decide later whether to appropriate the necessary money.

Pres. Eisenhower vetoed a similar bill two years ago, on grounds that the Army Corps of Engineers and Budget Bureau had not reviewed the projects included. This time, only a few of the projects lack specific blessings from the Administration—and the President may be more approving.

Hughes Tool Settles With Justice In Suit Over Splitting Markets

The Justice Dept. and Hughes Tool Co. of Houston this week came to terms on a civil suit charging Hughes had contracted with a foreign manufacturer to fix prices, divvy up sales territories, and restrict imports and exports.

Under the consent decree, Hughes is forbidden to make contracts with Alfred Wirth & Co., a German drilling equipment maker, to keep Wirth from selling in the U.S. Wirth was named a co-conspirator.

Hughes Tool says it signed the consent decree rather than incur the high cost of defending itself and suffer disruption of normal business.

Two FPC Decisions on Gas Rates May Give Independents More Leeway

Two decisions issued by the Federal Power Commission may go far toward clearing the air for independent natural gas producers in the area of rates:

• FPC said it is not bound to the "utility" or costof-service approach when determining the reasonableness of a producer's price increase. Although noting a court decision that upheld such a procedure, the commission said there were some instances in which it could not study the entire operations of a producing company. The commissioners then reversed an examiner's ruling and allowed a rate increase for 11 producers cooperating in one unit in Oklahoma.

• In another case, the commission said it would consider gas rates only in rate cases—not in the first instance when a producer seeks his original certification to sell in interstate commerce. FPC refused to attach a lower rate condition, sought by its staff, and permitted two producers to sell gas from a Louisiana field to United Gas Pipeline for 19.5¢ per thousand cu. ft.

Cole Expects New Housing Program To Boost Starts Over 1-Million

Housing chief Albert Cole expects the new housing law to produce an additional 130,000 housing starts this year. The increase raises the forecast for private starts to a level of 1,050,000—compared with 991,000 in 1957.

In addition, Cole looks for the new housing law to increase the number of military housing units started this year by some 18,000 to a total of 30,000. Private and military units together should produce nearly 1.1-million starts by yearend, 150,000 above previous low estimates of housing officials.

Pres. Eisenhower launched the new program by:

(1) Allotting the first \$300-million of \$1-billion provided in the law for government purchase at par of FHA and VA mortgages up to \$13,500;

(2) Assigning another \$325-million for at-par purchase of FHA mortgages on housing in urban renewal areas, homes for the elderly, and military family units;

Eliminating discount controls on GI and FHA mortgages;

(4) Raising the ceiling on VA interest rates to 4.75%; (5) Lowering FHA downpayments to 3% of the first \$13,500 of value;

(6) Increasing the maximum rate on military housing loans to 4.5%;

(7) Restoring the no-downpayment rule for GI home buyers. Veterans still must pay closing costs.

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1942 First effective radar countermeasure was "Window," code name for thin strips of metal foil which reflected spurious radar echoes when dropped from Allied bombers, confusing enemy radar operator.



1943 Next came "Carpet," designation for techniques of radiating "noise" or static from bomber-borne transmitters, each tuned to slightly different frequency. Torrent of "noise" produced "rippling grass" pattern on enemy radarscope.



1944 "Tuba" was a tremendously powerful (50,000 watts) jamming transmitter located in England. Its potent signal blinded German night fighters' radar as they pursued RAF formations toward the island.

THE STORY BEHIND THE STORY

COUNTER-MEASURES

U. S. MAKES PROGRESS
IN DECEIVING AN ENEMY

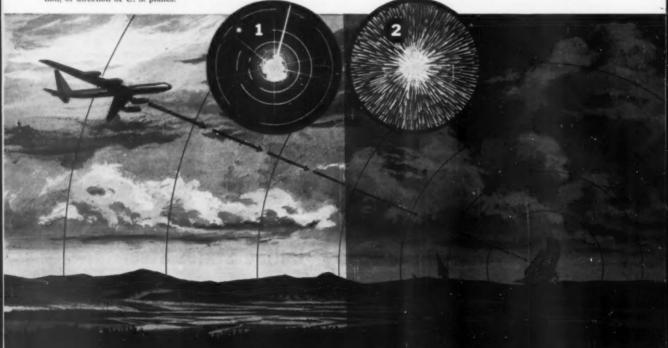
TODAY Shown below is only one of the techniques used in Sperry's integrated countermeasures system. U. S. bomber sweeping inland toward target nears anti-aircraft missile installation. Normally, bomber appears as blip on ground radarscope (1). But new Sperry jammer would transmit countersignal on same frequency as enemy radar, completely obscuring echo of signal on ground radarscope (2). This would make it impossible for enemy to tell number, location, or direction of U. S. planes.

Protecting our strategic bombers from detection is a unique military problem. For example, if enemy radar detects our bombers they cannot accomplish their mission. The problem then is to make the enemy's radar ineffective. Jamming techniques employed in World War II were effective in varying degrees but are inadequate today.

Now Sperry can report a notable break-through in this little-publicized area of electronics, achieved in cooperation with USAF's Air Research and Development Command. An integrated countermeasures system will equip SAC's Boeing B-52s with "a bag of tricks" which not only jams radars but also deceives missiles. This versatile system promises to provide a new measure of protection for our superbombers and will considerably enhance their offensive effectiveness.



DIVISION OF SPERRY RAND CORPORATION



How Do Management Consultants Make Out in a Recession?

Some are still riding high:

"Right now our billings and backlogs are at a record high."

"We've never had so many long range projects."

"As far as our immediate business goes, there is no recession."

But others acknowledge some effects:

"It would be unrealistic to say that the business hasn't slowed down a little."

"Our billings are still good, but it's getting harder to scare up new business."

"Our backlog has shrunk, and jobs on hand are of shorter duration than they were a year ago."

And some are evidently hurting:

"There has been a rise in the number of consultants on the job market over the past six months."

"A number of specialists in New York are suffering down time."

"The smaller outfits are really screaming."

CAUSINESS WEEK

Better Than Usual in Some Ways

Small outfits that depend on one or two clients seem hurt, and others worried. But many find more activity than ever in (1) cutting costs and (2) long-range planning.

Like the makers of red ink and the advertising industry, management consultants have long professed the theory that their business is depression-proof. For some, it is a minor article of faith that their services will be in special demand any time business in general is in trouble or undergoing change.

Now the theory is being tested, and consultants find that they can't quite count on it. Their business is every bit as much in flux as the rest of the

economy

• Lessons to Be Learned-A BUSINESS WEEK survey of top consultants finds them undaunted by this discovery. Many of them say they are using this experience as a series of valuable lessons in how their client companies react to a recession, what kind of counseling they want most at such a time, what they see beyond the slump, and how they prepare for it.

Because the average consultant's customer sampling of business is small, and because one or two big contracts lost or gained makes all the difference between a rise or drop in billings, no one management firm is a sure indicator of the consulting trade.

I. Recession's Effect

But some over-all trends do show up, and one student of the field has arrived at a broad explanation of how many companies react to a slump and how this affects consultants:

· At first, almost by reflex action, they cut back the most obvious fringes of overhead, including consultant services. In this stage, consultants find that their billings shrink faster than the economy.

 As the recession continues to deepen, companies start looking for outside help. Consultants find their business climbs again, though they are generally retained only for spot assignments, leaving their backlogs low. Many consultants say they are entering this stage right now.

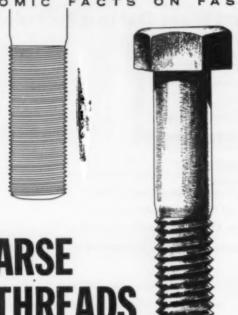
· As recovery takes hold, consultants are often dropped for a while, their trouble-shooting completed. Only later as businesses grow and companies call for help in increased competition do the consultants come again into their

· All at Once-This sort of thing goes on in prosperity as well as in a recession. In good times, though, the cycle affects one company or one industry at a time. It has little noticeable effect on the counseling business as a whole. Consultants expect to lose clients and pick up new ones as each goes through the

In a recession, however, many industries suffer simultaneously. Then it's tough, as it turns out, for consultants to maintain their business volume, especially if highly profitable services such as management development or operations research have suddenly gone out of fashion, too.

Another trouble for consultants: Under corporate encouragement, their business has grown so fast since World War II that some have had staffing troubles. One member of the trade suggests that the drop in quality of personnel has been obvious enough in some consulting firms to explain why they have seem-





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Coarse threaded fasteners tighten with only two-thirds the revolutions needed for fine threads . . . speeding assembly. Coarse threads enter nuts or mating holes with less tendency to cross thread when not truly positioned. Often this ease of starting is a decisive production advantage. Even in handling, there's an advantage. Coarse threads need less "babying" to avoid damage.

 More strength. With greater resistance to stripping, coarse threaded fasteners can be tightened more for a stronger assembly. Yes, even with standard fasteners there are ways to save money and improve quality... by looking at your products through the eyes of an RB&W Fastener Man. His service is available just for the asking. Russell, Burdsall & Ward Bolt and Nut Company, Port Chester, New York.



Plants at: Port Chester, N. Y.; Coraopolis, Pa.; Rock Falls, Ill.; Los Angeles, Calif. Additional sales offices at: Ardmore (Phila.), Pa.; Pittsburgh; Detroit; Chicago; Dallas; San Francisco. Sales agents at: Milwaukee; New Orleans; Denver; Fargo. Distributors from coast to coast.

RB&W FASTENERS-STRONG POINT OF ANY ASSEMBLY

". . . consultants feel the loss of much of their breadand-butter business . . ."

STORY starts on p. 55

ingly lost ground while others continue to flourish.

Of course, too, the cutback in the consulting business is far more painful, even disastrous, to a small outfit that depends on one or two major clients. Loss or cutback of one such account makes a vital difference to these smaller consultants, whereas a big firm can ride it out.

II. The Kind of Work

Since the recession took hold, clients for consulting services have fallen into two extremes: (1) the smallish companies that must cut costs to escape the squeeze on cash, and that need a consultant's help to do it; (2) the big, strong companies that can afford to look beyond the slump to long-range expansion in growing, often changing, industries.

Because of the first group, consultants notice an upswing in "efficiency" studies, both in the factory and in the office; in marketing studies aimed at getting more productivity out of each salesman, and in organization surveys designed to consolidate the work load and trim overhead. But this work tends to be highly specific and of short duration. This means that even though immediate volume may be high, consultant backlogs stay low, and they have to keep scratching for new business.

Because of the second group, many counselors are becoming increasingly preoccupied with long-range planning, aimed at targets of 5 or 10 years away (BW-Jan.5'57,pl13). These consultants help top executives to decide what a company's objectives should be, help train staffs, and gather facts for decisions about the long term.

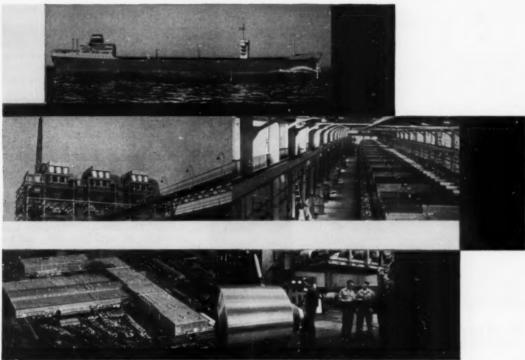
• Job Insecurity—Aside from these two kinds of work, consultants feel the loss of much of their bread-and-butter business. Many a senior partner who ordinarily supervises others is out on the road cultivating clients or doing the spadework himself. Other men on consulting staffs are swelling the number of management counselors who are in the market for jobs.

The Assn. of Management Consult-

The Assn. of Management Consulting Engineers reports that its members are spottily experiencing "a bit of down time." In Chicago, some consultants admit business is down 25%.

The American Management Assn. notes a sharp increase in volunteers for speaking or for leading discussion groups—its conferences and seminars are

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National Supply always has the time (and the facilities) to help a neighbor

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unusually complete, covering all phases of heavy industrial production from pouring of the steel to the most exacting and intricate inspection. If you have a problem of procurement involving anything from special operations in forging, foundry, machining, welding, or fabricating up to complete manufacturing, you may find your best solution by entrusting the job to us. Plants are located in the nation's major manufacturing areas. There's probably one near you.

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Seamless and Welded Pipe Electrical Conduit Underfloor Duct



THE MOST IMPORTANT THING WE MAKE IS FRIENDS

it's hard to institute any major change when things are going well . . ."

STORY starts on p. 55

a natural platform for business counselors to display themselves to potential

"We've talked to 30 or 40 consultants over the past few months," says an AMA official. "They're all scratching, though it's the smaller ones, to whom the loss of just one contract is a painful blow, that are most anxious."

· An Excuse-One observer, who denies he's being cynical about it, says there's a catch in the reported rise in big-company long-range planning projects. In many cases, he declares, the client companies are reconsidering optimistic expansion programs. But they hesitate to come right out and announce cancellations.

"They call in a consultant and set up or reorganize a long-range planning section," this man says. "This may lead eventually to better planning, but for the moment it is primarily a way to give companies an excuse to 'postpone' plant outlays without hurting morale by canceling them outright."

· Where the Cuts Are-Practically everyone agrees that a broad range of standard consulting services accounts for a drop in the counselors' volumesuch things as operations research, electronic data-processing, personnel rela-tions, management development, plant location, and public relations.

"Long-range planning work is on the rise," says an officer of Bruce Payne Associates, "but it would be unrealistic to deny that business has slowed down

John Dale, executive vice-president of G. Elliot & Co., recently made a private survey of companies and consultants, and he agrees: "The consulting trade as a whole has dropped volume."

Yet some consultants claim they are doing a record-breaking business. These include Cresap, McCormick & Paget, McKinsey & Co., and William E. Hill & Co., all of which concentrate on diagnostic work and policy development at the highest levels. "Evidently," another consultant observes, "it pays to be close to the throne."

Virtually all consultants who were interviewed by BUSINESS WEEK reporters agree that they have lost "a lot of the kind of work it used to be simply fashionable to do, and the head of one established firm that's doing well puts it even more strongly: "This business has grown so, that we've inevitably acquired some rather dubious operators



PIPER Spacke HELPS INSURANCE COMPANY

EXPAND FROM ONE TO TEN-STATE OPERATION



Founded in 1952, American Reliable Insurance Company, Minneapolis, originally confined its automobile, mobile home dwelling, fire and aircraft insurance business to the state of Minnesota.

Three years ago, American Reliable's President, J. E. Murphy, took up flying, started travelling by business plane to accelerate the expansion of the company, which now does business in ten states as far away as Alabama and Arizona.

"We could not possibly have expanded our business as effectively or efficiently without the use of a company plane," says Mr. Murphy. "Arranging admittance to various states, appointing agents, and setting up claims service impose a tremendous travel requirement. Having the airplane available has saved considerable time, to say nothing of the good impression it creates on our policyholders, agents and the general public. To say that we are sold on our company airplane for travel is putting it mildly," concludes Mr. Murphy.

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American Reliable's airplane is a twin-engine Piper Apache, by far the most popular executive twin, in use today with over 1,200 American business corporations. This superbly appointed, quiet, roomy, luxurious airplane cruises over 170 mph, has a range

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NEW YORK CHICAGO LOS ANGELES

on the fringes. Now, these fellows are being squeezed."

Opportune Recession—Several consultants raise the point that their clients find the recession a good time to make major changes in policy or in staff.

"It's hard to institute any major change when things are going well," one corporate president told his consultants, "because there's too much inertia. But now we can tinker with our basic organization."

Many companies with widespread operations and companies that have grown by acquisition are looking sharply at the autonomy of subsidiaries. They are calling on consultants for advice on how to centralize accounting and other controls. "Decentralization, too, was becoming a fad in some circles," says one veteran counselor.

Until recently, consultants felt they had to watch their step in suggesting fundamental changes in corporate structure. This was partly in deference to human relations and management development programs that they themselves might have set up. Now, they speak with relish of programs to "cull out weaklings and eliminate useless departments."

For a long time, it wasn't too diffi-

cult to make a profit," a consultant says, "and people wouldn't be firm with each other." This is changing, he feels. But the firmness almost has to be exercised through the medium of management consultants.

"We feel the presidents of large companies are going to be wary of the counsel of even their closest associates," a veteran consultant comments, "for these men want to protect their jobs. This means the presidents will need outside aid."

• Confidence in Future—Meanwhile, studies of new products and their potential markets are increasing, consultants say. Research and development may be trimmed in some companies that are especially pinched for cash, but it is being—if anything—accelerated in the strong companies, according to a consultant.

"A number of the larger companies have a strangely solid sense of confidence," says Marvin Bower of McKinsey & Co. His group, for example, is doing a study of major expansion for a company that declined last year in sales and net earnings. The company has a new product that it thinks will be hot, and it wants to be ready to capitalize on it when business turns around.



Blue Blazers Give the Brass a Lift

Metal-buttoned Navy blue blazers, complete with embroidered pocket patch, are being worn as "modest status symbols" by the executive staff at Prentice-Hall, Inc., book publishers. In all, about 30 division chiefs and "key department heads" have the sport coats, which designate them members of the group that meets regularly with Pres. John G. Powers (at far left in picture) to trade "secrets" and help with "crossfertilization of ideas."

The pocket insignia-and a matching

tie-clip—shows the letters "P-H" on an open book, and bears the words "Executive Staff." It was recently adopted by the company as a "symbol of cohesiveness," and because the blazer seemed suited to the firm's suburban location in Englewood Cliffs, N. J., across the George Washington Bridge from New York City.

The tie-clip and pocket patch are given to the executives by the company; the men must buy the sport coats themselves.



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Electrical contacts play a vital role in our mastery of electricity. Often, the safe, dependable control of electrical power requires contacts that possess an unusual combination of divergent properties—the maximum conductivity of soft metals, like copper or silver, and the brute ability to withstand tremendous impact and high temperatures found only in hard metals like tungsten and molybdenum.

In effect, the problem is very much like mixing fire with water... because metals with these divergent properties cannot be alloyed by conventional methods. To meet this challenge, pioneering Mallory research in the field of powder metallurgy produced Elkonite®—a unique family of materials that unite the necessary arc-resistance of refractory metals with the high current carrying ability required for contacts... and do so in any proportion that may be desired!

Now the world-wide standard for heavy-duty electrical equipment, Elkonite contacts are but one of the many valuable additions made by Mallory to the field of powder metallurgy. A unique, Mallory developed heavy metal, Mallory 1000, is at work in such diverse applications as self-winding wrist watches and oil drilling equipment... gyroscopic plane controls and radiation shielding.

These are but a few developments in a continuing stream of modern contributions from Mallory—the company at home in tomorrow—serving the nation's growth industries with precision products and broad experience in the fields of electronics, electrochemistry and specialized metallurgy.

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The consolidation, establishing Universal-Cyclops Steel Corporation as the parent company and Empire-Reeves Steel Corporation as a wholly-owned subsidiary formed by the union of Empire Steel Corporation and Reeves Steel and Manufacturing Company, results in an operating group prepared to offer new advantages to steel users everywhere.

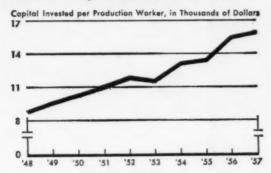
Accent on quality and service will be a continuing keynote. Combined resources will provide expanded and improved facilities at all present plant locations plus more stainless strip capacity at a new plant in Coshocton, Ohio.

Yes, from top quality carbon, silicon steels, and galvanized sheets to flawless stainless, tool steel, and high temperature metals; from garden-variety steel products to material for jet engines and missiles . . . you can count on Universal-Cyclops and Empire-Reeves to serve its markets and America better than ever before.



In Management

Investment per Production Worker



Data: National Industrial Conference Board. U.S. Industry Sinks \$16,000

Into Each Factory Worker

The average capital investment for each production worker in U.S. industry rose again last year, as it has every year but one in the past decade, according to the National Industrial Conference Board. The 1957 jump of \$1,200 brought the average figure to \$16,000 per worker, and represented a 7% rise in total investment. This was coupled with a 2% decline in the number of workers compared to 1956.

White Motor Finally Succeeds In Taking Over Diamond T Motor

Persistence has paid off in White Motor Co.'s longrunning attempt to acquire Diamond T Motor Car Co.,

a competing truck maker.

White first offered to buy Diamond T assets in late 1955 for \$8.6-million. Bohn Aluminum & Brass Corp., which owned 137,500 shares of Diamond T (about onethird of the outstanding stock) opposed the sale, and it was defeated at a stockholders meeting in December,

Last spring, White again made a bid for the Diamond T assets, and again the offer was rebuffed at a

stockholders meeting.

Since then, the Bohn holdings in Diamond T have been sold to A. L. Mailman, Canadian rubber goods magnate, and family, and 102,000 shares of Diamond T held in trust for the estate of C. A. Tilt were sold to Eureka Williams Corp., headed by industrialist C. Russell Feldman. Eureka sold them to the Mailmans.

On Feb. 19, White made another offer to Diamond T: to buy its inventories, tools, fixtures, patents, brand name, and good will for \$10.1-million. Last week, Diamond T accepted.

In addition to the purchased items, White will lease

Diamond T's main plant. Diamond T will be run as a division of White and will continue to compete with White. The corporate shell of Diamond T has been rechristened DTM Corp.

Holding Company Opposes Best's Plan For Stock Options for Key Personnel

Albert M. Greenfield's Bankers Securities Corp. is soliciting proxies in opposition to a management stock bonus proposal at Best & Co. (New York) clothing store chain. The plan, calling for company stock to be allotted to key employees and paid to them-with the accrued dividends-after their retirement, has been called "hazardous to stockholders" by BSC. The Philadelphia holding company owns 17,500 (3%) of Best, claims it is the largest single stockholder.

BSC's objections seem to center on the fact that the plan doesn't specify who is to be allotted stock, or how much each person is to get each year, that it is a "blank check" to the board. BSC feels the amount of the awards should be tied to company performance during the year. BSC also claims that present stock ownership can be diluted through issuance of new stock

under the plan.

Best & Co. says the plan is similar to those used by other retailers, and that it will help attract and hold top personnel. Management says there will be no stock dilution, that all shares will be bought on the open market.

BSC is not opposing the management board slate.

Management Briefs

The chairman, president, and two vice-presidents of Williams-McWilliams Industries, Inc., already enmeshed in a proxy fight (BW-Mar.8'58,p99), have been indicted by the parish grand jury in New Orleans on charges of fraud. The indictment alleges that the four men used a false report of a New York board meeting to obtain \$1.9-million in government bonds owned by the company, and then used the bonds as security for a loan to buy control of the company. The four men have "categorically denied" the charges.

Pay of general foremen and office supervisors rose an average of 5.2% last year, the American Management Assn. found in a study covering 8,600 men in 129 companies. The pay ranged from \$4,000 up to \$13,300, varying directly with the number of workers supervised and the complexity of the work they did.

For those keeping box scores: Three more proxy fights have ended in victories for management. Dissidents were defeated at Landers, Frary & Clark, Sun Chemical Corp., and Van Dorn Iron Works Co., but in all cases they indicated they would wage another fight next year. The challengers came closest at Van Dorn, where Hoffman Industries, Inc., held proxies for 46% of the votes cast (including its own 37% interest in Van Dorn), and garnered three seats on the seven-man board.



Glamor Stuff of the Space Age

BORON may become the fair-haired boy of the space age. After many years of ordinary usefulness (boric acid, borax, glass), this light, non-metallic element has been singled out by some experts as "most likely to succeed" as the key ingredient of highenergy super-fuels to tame outer space.

A boron compound, it is claimed, can send jet aircraft 40% farther without refueling and 50% higher. Non-military experiments have proved it highly effective in such diverse fields as medicine, agriculture, food processing and industry.

To help meet the greatly expanded demand for boron, modern "mule-skinners" ride "PAYLOADER" tractor-shovels in the Death Valley and Mojave Desert regions where 95% of the world's known supply is located. In contrast to the sagas of 20-mule team wagon haulers, these rubber tired units can scoop up, carry and dump huge bucket loads of borax or other materials, up to 9,000 lbs. at a time, and travel up to 24 mph.

This is an example how Hough-built equipment can help speed the development of long range missiles for today . . . can promote better living for tomorrow.



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Two-Way Cutter

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Lid on the Family Pool

This Fiberglas screen cover for a swimming pool is designed primarily to keep out leaves and debris. But it's also strong enough to keep children from falling in. The cover comes in any size, and is secured by safety spring



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Get more facts, write: Chemical Division General Mills, Kankakee, Illinois.

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INDUSTRIAL GROUP

Chemical Division • Mechanical Division
Soybean Division • Special Commodities Division

Continued next page



Mechanical Division

DR. ROLF MUELLER, Basic Semi-conductor Research



D. W. BURROWS, Engineering Project Manager



ELLESWORTH E. RAIHLE, Prototype Machinist

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Mechanical Division

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DispersaGen*—a new soy development designed to perfect water-based paints

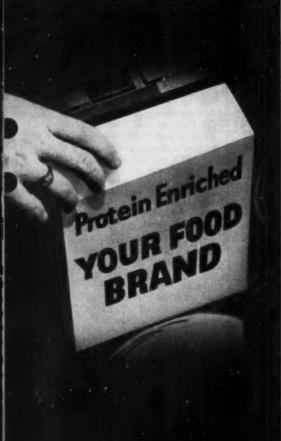
DispersaGen is an improved wetting agent for pigments in all types of water based paints. It is non-ionic; helps make smooth, creamy pigment pastes; maintains particle suspension; facilitates spreading. Paints thus formulated are more uniform, give clean cut coverage when applied, provide many other desirable features.

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Get more facts about Pro-80, write:

Special Commodities Division General Mills, 9200 Wayzata Boulevard, Minneapolis 26, Minn.

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What Executives Should Know About Industrial Development Research Available in Georgia

Few problems of management are so critical and complex as that of selecting a new plant location. So much is at stake and there's so little margin for error.

The Industrial Development Staff of Georgia Tech, teamed up with the Georgia Power Company's Industrial Development Engineers, offers the kind of thorough, scientific industrial development research that smart management wants but seldom gets.

Georgia Tech's research organization gives you the services of a large staff of scientists. All of the engineering fields are represented, along with economists, econometricians, statisticians, market analysts and many others.

These men, assisted by Georgia Power's Industrial Development Division, assemble every shred of information that affects or influences your business. They check, scrutinize and analyze all data and statistics. And their findings and conclusions are presented to you in an all-inclusive report that is factual and thoroughly objective, uncolored by any special-interest influence—the kind of report that will enable you to make a decision on your plant location with complete confidence.

GEORGIA TECH RESEARCH REPORT

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INDUSTRIAL DEVELOPMENT DIVISION

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lock fasteners that attach to a patented anchorage set flush in the concrete edge of the pool. The cover is light enough for a woman to handle, and, since it is made of screening, does not trap rainwater. The covers, in either forest green or aqua, are made by the Meyco Div. of Fred J. Meyer & Son, Forest Hills, N. Y. Cost is between \$200 and \$220 for a pool 18 ft. by 36 ft.

NEW PRODUCTS BRIEFS

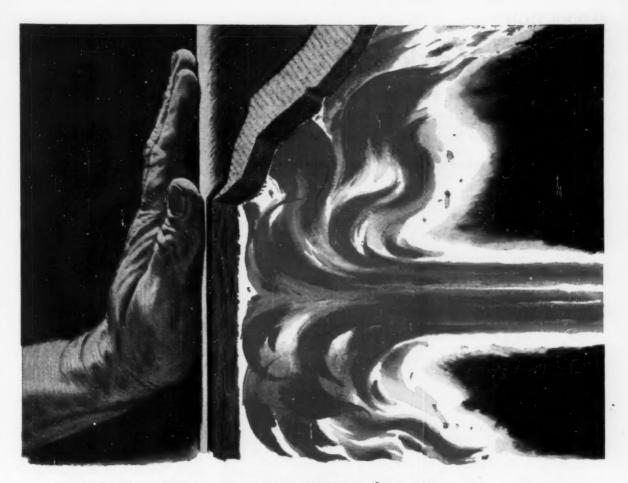
A new silicon resistor, the Sensistor, is reportedly the first that responds to an increase in temperature with an increase in resistance that rises rapidly along a stable, characteristic curve. It is expected to be used as a temperature compensating device in equipment such as miniature amplifiers and servo-mechanisms, and as a temperature sensing element for automatic controls. Manufacturer: Texas Instruments, P.O. Box 312, Dallas. Cost: \$3 to \$5.

Satellite-to-earth photography with no loss of detail will be possible with an ultra-high-resolution cathode-ray tube. It provides resolutions as high as 6,000 horizontal lines; a TV image has only 525 lines. Industrial applications include recording on film, and closed-circuit TV transmission of blueprints and complex documents. Manufacturer: CBS-Hytron, Danvers, Mass. Cost: about \$5,000 for a 5-in. tube.

A three-dimensional cathode ray tube, the Peritron, uses a mechanically oscillating screen inside an evacuated tube to give a display with a depth of a little over 1 mi. Possible application: surveillance radar at airports. The prototype was developed by Instrument Research Co., 222 Anselm Terrace, Boston 35, Mass.

Metallic-lined brakes are a possibility on some 1959 model cars, probably Chevrolets. They are being tested on Milwaukee police cars. Police cars generally have heavy brake fade problems from high-speed operation and repeated sudden stops. Metal linings are considered a promising solution in Detroit.

A system for translating from one computer language to another can interpret for any commonly used computer and provide output data for more than 20 specific ones. It accepts data from magnetic tape, punch tape or cards, analog to digital converters and keyboard instruments; output can go to any of these, a line printer or a plotter. Manufacturer: Electronic Engineering Co., Santa Ana, Calif. Cost: about \$125,000 maximum.



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JOHNS-MANVILLE



More Work From a Jet

At speeds slower than sound, a jet aircraft engine wastes power. Two manufacturers now come up with an idea to get more push from engines in jet airliners.

Two new jet powerplants for commercial service are to be unveiled in the next few days with an excellent chance of becoming standard equipment in the airlines' jet age. Their virtue: They push more air more slowly than the engines already planned for early jet liners.

The new versions are called turbofans or bypass engines. They are being introduced by General Electric Co.'s Aircraft Gas Turbine Div. and United Aircraft Corp.'s Pratt & Whitney Aircraft Div. The only other turbofan engine available to industry is the British-built Rolls-Royce Conway, which has been ordered by several foreign airlines to power the Boeing and Douglas jet transports they are buying. Both GE and P&W think their new engines will outperform the Conway.

Engineers at both companies are confident, even before the engines are flight-tested, that their turbofans will take over the future market and may even be substituted for engines already on order. Already they see keen interest

among the airlines.

• No Mere Paradox—It may seem paradoxical that a slowing-down of the exhaust, which drives the plane forward, should be considered a gain in jet propulsion. But the airlines aren't merely fascinated by any such paradox when they want to talk about the engines—they are looking for cold facts about improved performance. And the turbofans promise to boost the take-off power by more than one-third, to cut fuel consumption by 10% or 15%, and to create less noise around the airports.

The gain in power for take-off, in turn, could mean that jet airliners might operate out of airports where runways are otherwise too short and impossible to lengthen. This would open up many more medium-haul routes to the jets.

I. Gaining More Power

The drawing below shows GE's turbofan engine, but all of this type

work on similar principles.

A typical late-model jet engine is most efficient at, say, 1,200 mph.—the plane speed that's closest to the velocity of its exhaust jet. At lesser speeds, it's like an automobile with its driving wheels spinning on ice or mud—the engine power isn't being effectively ap-

However, commercial jet planes can't be operated at 1,200 mph. For the present, at least, airlines don't want to get into the business of passing through the sonic barrier. So they are restricted to around 600 mph. At such a speed, the standard converted military jet engine is relatively inefficient. The turbofan idea is an attempt to restore its efficiency by slowing the jet exhaust, increasing the volume of the exhaust to produce more thrust. This is not unlike the tactics of the auto driver who slows his engine to let the wheels regain traction on a slippery surface.

tion on a slippery surface.

• How It's Done—In the bypass or turbofan engine, the total volume of the exhaust is increased by adding an air stream that doesn't go through the combustion stage of the engine but is speeded up by an extra compressor. The bypass has its own intake and exhaust. In the Pratt & Whitney engine, its front mounted compressor is driven by the main turbine; in the GE, by an in-

dependent turbine that's spun by the main exhaust stream.

While adding to the volume of the engine's exhaust, the bypass air also comes out much more slowly. This has the double effect of slowing the exhaust as a whole and of reducing the hot jet's noise-producing turbulence on meeting the outside air.

Propeller-driven planes, including the turboprops, lose efficiency over 450 mph., while pure jets are most efficient after they pass the speed of sound, so the turbofans could fill an important gap

in air transport speeds.

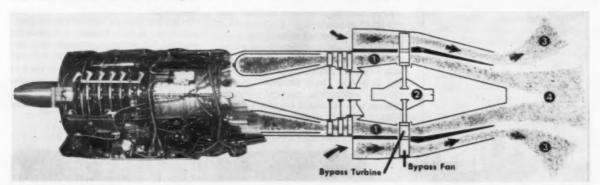
According to J. B. Montgomery, general manager of GE's gas turbine division, they are most efficient at between 500 and 600 mph.

Optional Equipment—Another virtue of the turbofan system is that it can be added fairly easily to an existing jet engine.

"With P&W engines, it can be done simply and quickly." says Wright A. Parkins, United Aircraft vice-president of engineering. "We add a fan on the front of the engine and adjust the power turbine section to carry the extra load. Using a bypass ratio of about 1 to 1—that's the split between the air you bypass and the air you put through the engine—you can get increases in thrust somewhere in the neighborhood of 40%."

The British-built Conway engine, also a front-fan type, puts less than half as much air through the bypass as through the engine, and many engineers don't think it takes full advantage of the bypass principle.

GE, on the other hand, says it has substantially more than a 1 to 1 ratio, with more air going through the bypass than through the engine. GE also claims advantages for its rear-mounted fan, driven independently of the main engine rotor. This reduces starting and acceleration loads on the main rotor,



GE'S TURBOFAN ENGINE, partially shown in cutaway photo and drawing, illustrates the principle. Engine's hot gases (1) spin free turbine (2) to drive fan in air bypass that has its own intake. Air in bypass blows out (3) slowly compared with hot exhaust jet (4).

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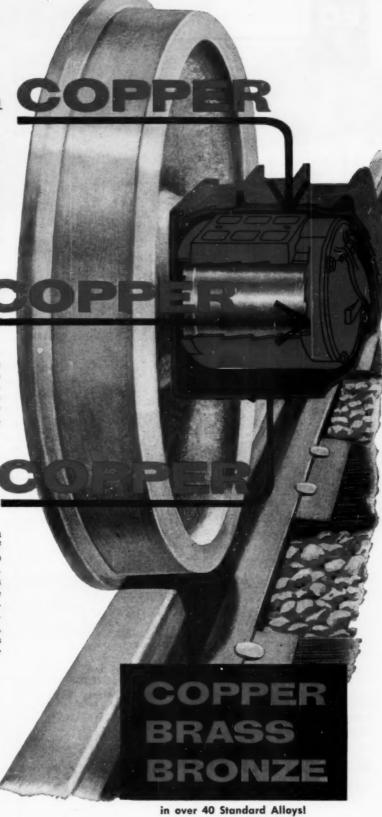
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"... all the commercial engines are derived from military engines . . ."

STORY storts on p. 70

says GE, and also shortens the bypass ducts. Installation doesn't require an extra wall around the entire length of the engine, adding weight and interfering with maintenance of the engine.

II. The Market Race

If the engine makers can develop powerplants that are economical for jet airliners on a route where competitors fly propeller planes, they will greatly broaden their market. The speed, smoothness, and novelty (or prestige value) of jets will always give them the competitive edge. And the more routes the jets take over, the more business for the engine makers.

Beyond their effort to expand the market for jet airliners, the engine producers see the need to keep up with each other, competitively. GE is trying hard to take Curtiss-Wright's former place as Pratt & Whitney's chief rival, now that Curtiss-Wright is for the moment without a significant new engine in production.

• Scoreboard—P&W has collared all but a few of the orders for engines in the jet airliners that are being built. It has the job of powering 144 of the 168 Boeing jets that have been ordered, and 132 of the 138 Douglas DC-8 jets. The Conway engine is scheduled to go into the other 24 Boeings and six Douglases. GE, however, has captured all the engine installations for 48 Convair 880 jetliners that are on firm order.

All the commercial engines are derived, of course, from military engines—no manufacturer could stand the cost of developing a wholly new commercial model. GE estimates that it took about \$200-million to bring its J-79 series to the point of military acceptance; United Aircraft's Vice-Chmn. Leonard S. Hobbs says it cost more than \$40-million to develop its J-75 from the head start of its already successful J-57.

Costs like these can hardly be recovered from the visible commercial market. The 354 jet transports on order represent about half the number that will be sold by 1965, according to most industry estimates. Each jet airliner requires several engines, including spares, so the potential runs about 2,000 or 2,200 engines priced at \$150,000 to \$200,000 each—a total market between \$300-million and \$400-mil-silion.

Thus, it would mean a great deal if jets could be adapted to the multitude of shorter commercial routes. There



Over-all operating costs of our Rockmart, Georgia, plant will be reduced 20% by the new raw and finish grinding installation and raw material handling facilities indicated here.

> New kiln installed at our Nashville, Tennessee, plant reduces fuel consumption about 35%. Other cost-saving improvements are being completed here.

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Large scale modernization

1958 authorizations for capital expenditures

Rockmart, Ga., plant	\$3,702,190
Nashville, Tenn., plant (to complete)	1,008,670
Superior, Ohio (stripping shovel)	1,345,000
Cape Girardeau, Mo., plant	235,000
Replacements and miscellaneous improvements at all locations	1,555,400
New raw material deposits	179,670
	\$8,025,930
Estimated portion to be	\$5,676,190

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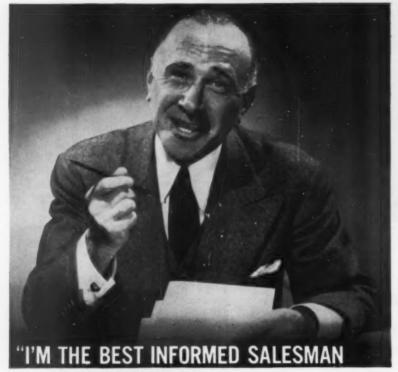
Financial Highlights

	1957	1956
Net sales	\$47,750,482	\$43,558,363
Net income*		7,376,467
Earned per common share	2.71	2.74
Common shares	2,625,000	2,625,000
Common dividends		
Total for the year	1.40	1.30
Annual rate at year end	1.40	1.40

*Not including possible tax savings from expanded depletion allowances.

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would be many more planes to be equipped. Even if a lot of these were two-engine jets, like the French Caravelle, the engine market could easily be doubled.

III. Commercial Values

This would generate a tighter and more exciting race between Pratt & Whitney and GE. Both companies agree that their new turbofan engines are destined to capture much of the future market and that some engine orders for planes scheduled but not delivered may be switched to the turbofans. But such switches would be unlikely to move from P&W to GE or vice versa. The wide-open competition will be for the market that's still unsold.

The commercial market is more important than the projection of original equipment sales would indicate. Here's why the engine manufacturers want it so badly:

• Commercial sales are steady, helping to smooth out the fluctuations of military orders so manufacturers can hold on to skilled engineers and production workers. It takes a lot of manpower to build jet engines—GE employs more than 14,000 men at Evendale alone, and P&W has about 37,000 in its gas turbine division.

 Profits from commercial sales aren't subject to renegotiation, as military profits are. "It's money we can call our own," says Montgomery of GE, "and we can use it to pay stockholders or finance long-range research programs."

• The coming generation of jet airliners will wear out a lot of replacement engines before they're scrapped. The first jets will be up against the sound barrier, and their maximum of about 600 mph. is going to last until the air transport industry finds it worthwhile to buy twice as much speed.

while to buy twice as much speed.

• The Gap Widens-Long life for to-day's jet engine designs is further underwritten by the trend in military designs. Future military requirements point to engines designed to drive planes at several times the speed of sound, which means these engines won't be adaptable to 600-mph. airliners. So the engines now being offered to airlines are likely to be standard equipment for 10 or 20 years, until the supersonic transports come in.

Even then, aviation people don't expect the supersonic planes to be economical for any but the longest hops, such as from New York to Rome, non-ston

• Last Word—P&W offers commercial versions of its military J-57, which develops 10,000-lb. thrust, and J-75, a 15,000-lb.-thrust engine that is shorter than the J-57 and 20% lighter. GE's



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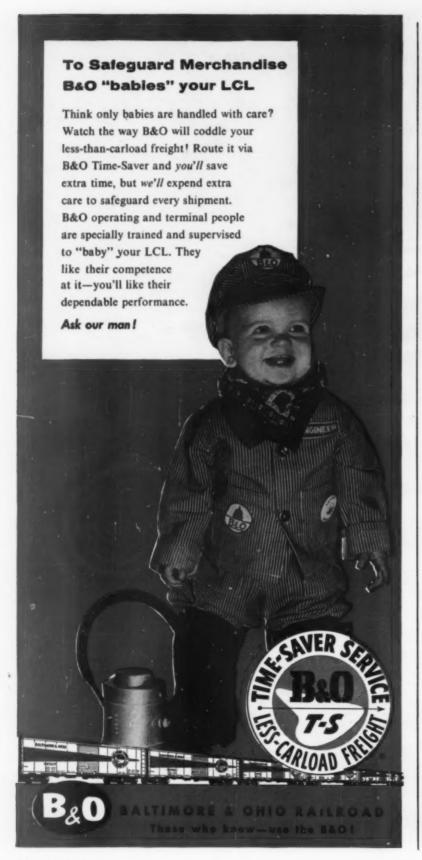
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commercial engine is based on the J-79, a lightweight engine of more than 10,000-lb. thrust.

P&W's J-75 and GE's J-79 are regarded as the most advanced engines available to the airlines in commercial versions. Both are designed to fly faster than sound but also to be efficient at subsonic speeds of transport planes. Because of its higher thrust, the commercial model of J-75 is expected to power most of the long-range jet airliners, which need the extra muscle to get off the ground with their heavier fuel

The competition thus centers in the medium-range field, where GE's J-79 shines, along with the older P&W J-57. • Numbers Game-Both companies have built military engines in quantities

far beyond anything the commercial

market is likely to absorb.

While P&W was tooling up for its J-57, GE was producing its 6,000-lb.thrust J-47, now obsolete but almost certainly the all-time record holder for quantity production. Nearly 30,000 J-47 engines were built to power the B-47 Stratojet bomber and the F-86 Sabreiet interceptor.

The more powerful J-57 then came along to capture the market for powering the B-52 bomber, the KC-135 tanker, and other planes. It is still in quantity production. About 13,000

have been built.

GE responded to Pratt & Whitney's advance with the J-57 by designing the I-79 particularly for two supersonic was planes: the B-58 Hustler bomber and the F-104 interceptor.

"We had to come up with something really good," says Gerhard Neumann, Dept. "P&W forced us to be extra keen."

By developing the new variable stator system (blades on the first six of the 17 compressor stages are adjustable to prevent stall), GE designed the J-79 as the smallest in diameter in its power class-only 3 ft. across. This gives it an advantage when modified as a turbofan

• Turbofan Prospects-P&W engineers insist that their twin-spool (two-stage) compressor system meets the stalling problem better, but GE is keen about the variable-pitch blade idea. It is using variable pitch in its small turbines for helicopters and, from all indications, in its development of a chemically fueled bomber engine and a nuclear

GE has now spent more than \$10million to work out its rear-fan bypass engine based on the J-79, and it feels the money was well spent. "I've never been more encouraged about any engine," says Montgomery. "It will be able to take jet planes out of the short-runway squeeze." END

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SUBMARINER surges to the surface in a practice escape making use of Navy's new neoprene-coated nylon suit, in which he breathes normally.

ATOMIC HANDLER at Hanford, Wash., clambers into vinyl suit inside the cocoon in background attached to thick shielding wall.

On-the-Job

"Crazy suits" take advantage of up-to-the-minute materials to do a better job of protecting atomic age workers.

This spring, the well-dressed man will be wearing some of the fashions displayed on these pages—if, that is, he happens to be a submariner, a space pilot, or any of a variety of other atomic age technicians.

The submariner, for example, can don the suit at left to escape from a crippled U-boat. It's now being developed to keep him from drowning on the way to the surface—and also to enable him to stay alive in the water for several days, protected from cold and

oil slicks.

This outfit is just one of many socalled "crazy suits" that make military installations and industrial plants these days look like rehearsal stages for a science fiction movie. Changing technology steps up the demand for "crazy suits": for instance, man needs pressure equipment for trips through space, and new production processes may mean new and dangerous chemicals from which workers need protection.

But even in old, familiar uses, there's demand for new equipment that does the same protecting job—or a better one—with more comfort for the wearer. And there's always room for improvement in mobility, dexterity, and the time it takes to put the outfit on.

• Better Fabric-The improvement may come in fabrics. In heat and fire protection, for example, light alumi-



Styles Take an Outlandish Turn



GLASS WORKER dons an aluminized jacket, asbestos gloves, acetylene worker's helmet to ward off heat while pouring test mold of a ceramic material.



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nized cloth that reflects heat is rapidly displacing heavy asbestos, which merely insulates against it. Neoprene and polyvinyl chloride coatings on cotton or nylon provide better protection against acids than untreated synthetic fibers, because they're more impermeable without adding much weight. The Navy uses neoprene-coated nylon for its sub suit, for experimental coldweather gear, and for hot work—in a 140F engine room with the hatches battened down against radiation hazards.

Or the improvement may come in design. Here, the goal is a one-piece suit that can do as many jobs as possible by itself. Again the Navy's new sub suit is an example—it's one-piece, and it replaces the Momsen lung for submarine escapes, an old exposure suit, an old protective suit for radiological monitoring, and the swim suit used in retrieving torpedoes during cold weather.

• Rivalry Aplenty—The weird-looking "crazy suits" sell at an annual rate of about \$4-million, according to one manufacturer. That's only a fraction of the total sales volume in safety clothing—about \$100-million. This includes ordinary safety shoes, boots, and industrial work gloves, plus garb designed to resist water and such special-purpose items as gloves for welders and acid workers.

The industry is highly competitive, with more than 300 companies, most of them small and tending to cluster in the industrial areas they serve. For instance, Fyrepel Products, Inc., of Newark, Ohio—considered one of the more aggressive aluminized suit makers—tots up annual sales close to \$300,000, according to Alan M. Larimer, its sales manager. Most of this is in orders for less than a dozen suits, at a top cost of about \$300 each.

However, the basic materials usually come from big companies such as du Pont, which makes neoprene, and Minnesota Mining & Mfg. Co., which developed aluminized cloth (also made by Keasbey & Mattison Co., Ambler, Pa.). These suppliers may sell directly to protective clothing makers or to fabric

• In the Air—Man's ventures in jet and rocket flight are creating new demand for "crazy suits." The thin atmosphere at high altitudes could boil a flier's blood in seconds or make him burst like a bubble if he didn't wear a special suit to keep up air pressure. The same suit must also protect against the cold of the upper air and the heat of friction caused by a craft moving at several times the speed of sound.

One Air Force answer to these problems is the MC-2 full-pressure suit. It's almost tropically light compared to the heavy, metal-jointed outlits of the 1940s, in which pilots could hardly move. In this double suit, the outer layer is aluminized to guard against flash fire and the heat of the sun. Air pressure inside the inner layer makes the suit balloon slightly away from the wearer. All in all, it weighs just under 40 lb. Devised at Wright Air Development Center in Dayton, Ohio, it's made by David Clark Co. of Worcester, Mass.

Other flight suits with less pressure are more like a tight girdle. They're lighter, and will protect a man in space as well as the full-pressure variety, but they're too uncomfortable for wear on long flights.

• Under the Sea—The submarine escape suit, still in the experimental stage, has snorkel valves on the face plate to admit air but keep water out when the crewman reaches the surface. Ingeniously, it's designed to collect the wearer's exhaled breath, both to help warm the suit and to provide drinking water—by condensing the moisture in the breath. To reach the surface safely, the wearer need only breathe normally to maintain air supply and buoyancy. With enough food in his pockets, a man could survive afloat almost indefinitely in the outfit.

For industrial use, suits that protect against fire or heat are among the most important. The answer used to be ultrathick asbestos insulation, but now thin layers of aluminum foil are applied to fabric—which might be glass fiber, cotton, finely woven asbestos, or paper. Suits made this way are proof against flame and temperatures as high as 3,000 F, and this makes it unnecessary to cool down ovens or furnaces before doing a repair job, according to Pittsburgh's Mine Safety Appliances Co., one of the leading manufacturers.

• Safe From Acids—In the chemical industry, a coating of resin had been commonly used on clothes to safeguard workers from the corrosive and toxic effects of acids and other industrial chemicals. But this offered little protection against water or electric sparks, and the fabric cracked when bent. Using neoprene and polyvinyl chloride now solves these problems. Polyvinyl chloride is replacing rubber, too, because it lasts longer and protects better. Without the new methods, it would be difficult to handle strategic materials such as rocket fuels.

In atomic plants, the most important protection against radioactivity is the thick lead or concrete walls that barricade work areas. So all the workers need in many cases, are disposable paper lab coats, plastic booties, and the like. But at the atomic installation in Hanford, Wash., there's a "crazy suit" that beats them all—you have to crawl into it through a tunnel attached to it like a tail. END



990 A. D.—first recorded air cargo flight. The Caliph of Cairo craved fresh cherries. The Vizier of Baalbek shipped them by air, fastened to the legs of 600 carrier pigeons. Distance flown: 400 miles.

What can the Vizier of Baalbek teach the chairman of the board?

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Road builders have to be cost-watchers—constantly. So when a major eastern contractor found his loaders' maintenance costs running too high on a particularly tough, 18-mile stretch of grading, he had to move *fast*.

Far-too-rapid failure of the loading belts was the core of the problem. Under the staggering flow of 20% to 30% shale and rock, they quickly stretched or were chewed up—averaged only 25,000 cubic yards before failing completely. Each replacement ran \$2.000 plus—so after several of these, a call went out for the G. T. M.—Goodyear Technical Man.

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CONVEYOR BELTS by GOOD



FACE OF THE EARTH

Handling 97,000 cubic yards on the first cut alone, the G.T.M.'s belt proved a phenomenal cost-cutter. In fact, it went on to an eye-opening 337,000 cubic yards of the same run of material—without a single take-up—before retirement. That's more than 13 times previous belt-life—better than \$25,000 saved on one loader alone.

Fighting to curb costs in your operation? Call for the man who's an expert at doing just that—the G.T.M. You can reach

him-in a hurry-through your Goodyear Distributor or by writing Goodyear, Industrial Products Division, Akron 16. Ohio.

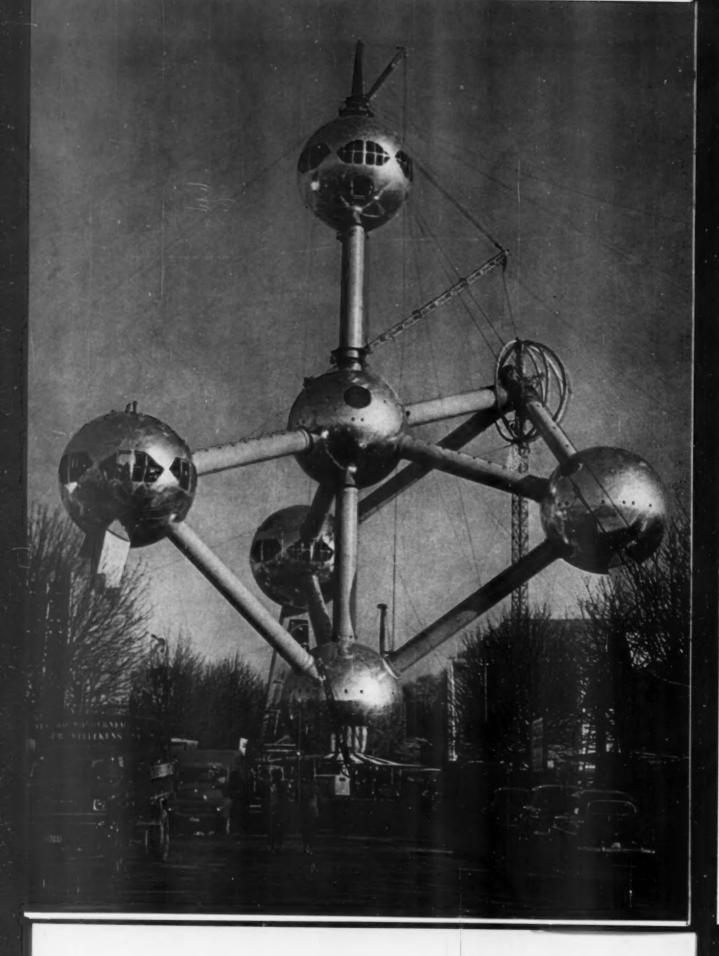
IT'S SMART TO DO BUSINESS with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

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The Big Show Opens in Brussels

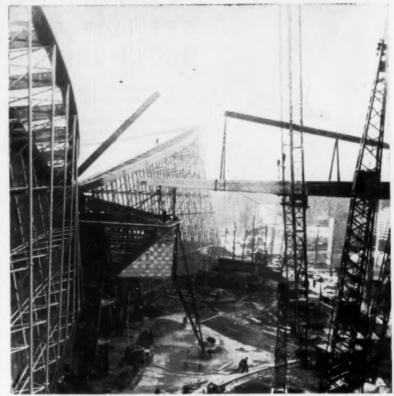
Workmen and cranes rush construction of Atomium (left) and fancy pavilions to make fair ready for flood of tourists.

Right now. Belgium is bracing itself to absorb the economic impact of the grandiose Brussels World's Fair (pictures)-the largest, most concentrated international spectacle since the New York fair in 1939-40.

Next Thursday, diplomats, officials, and dignitaries from all over the world will swoop down on the 500-acre fair grounds, give speeches against a back-ground of music and flag-bedecked buildings, and attend a court ball that is going to be given by Belgium's King Baudouin. With the fair gates opened, the expected flood of some 35-million visitors will begin.

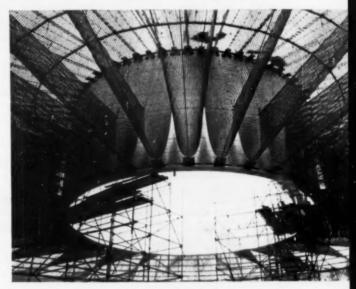
· Temporary Boom-For Belgium, a tiny country a bit larger than the state of Maryland, with only 9-million people, the so-called Universal & International Exposition should be a temporary economic boon. Though first envisioned 10 years ago by Brussels burgomaster Baron van de Meulebroek, the fair happens to be making its bow just at a time when Belgium is slipping fast into an export recession.

The fair won't help bolster Belgium's three industrial mainstays-steel, coal, and textiles-which have seen a down-



FRENCH pavilion of unusual design, costing over \$7-million, will be late in opening. Its exhibits concentrate on French history and civilization, and on French engineering feats.





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VATICAN tower rises in front of Russia's rectangular \$70million showcase. This is the Vatican's debut at such a fair.

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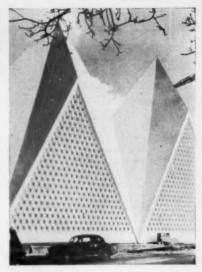
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BRITISH pavilion, reminiscent of Tudor rooftops, presents tableau of English life.

turn in orders over the past few months. But it will be a tremendous boost to the service trades—hotels, restaurants, railroads, and airlines.

• Controversial Point—Apart from this, the economic soundness of holding a huge fair has been a matter of controversy among Belgians since 1952, when the Bureau International des Expositions—the clearinghouse for international fairs in Paris—gave Brussels its blessing as a fair site.

For one thing, the fair has cost Belgium at least \$120-million for everything from new roads to a new heliport. That's in addition to nearly \$40-million budgeted directly to Baron Georges Moens de Fernig, the fair commissioner, who has been running a 200-man staff plus a 2,000-man exhibition company. Some Belgian economists feel this money would have been better spent on much-needed highways connecting with neighboring countries, improvements in existing canals, and modernization of government buildings.

• Inflation Factor—In purely economic terms, some observers think the fair will jolt Belgium with inflation—and that's a risk. Since World War II, the country's economy has expanded at a fairly rapid rate—with exports last year hitting around \$2-billion. Yet, compared with other Western European countries expanding their industries, Belgium has seen little inflation. Between 1952 and mid-1955, Belgian retail prices and wages remained relatively stable. In 1956, the government followed a policy of keeping the lid on inflationary pressures, with the bank rate raised last July from 3½% to ½%.

Now that the world trade slump has begun to hit Belgium hard, many earlier critics of the fair feel that a little inflation and the temporary boost in in-



Uncle Sam builds his first ships

and marks a fine deep-water plant site

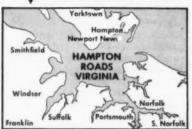
"Don't give up the ship!" Captain Lawrence's brave last command keeps alive memory of the frigate Chesapeake... one of the first warships ordered by the young U.S. Government. Her launching in 1799 led to creation of Norfolk Naval Shipyard in Portsmouth... birthplace of many a famous ship, from the Confederate ironclad Virginia to the Langley, first U.S. aircraft carrier.

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comes from fair business may be good medicine for the economy. Direct and indirect employment from the fair may help offset Belgium's problem of nearly 10% unemployment.

In any case, Belgium is an old hand at running big fairs. Out of some 30 international fairs held since London's Crystal Palace Exposition in 1851, around 10-by Belgium's count—have been held in the tiny country, in Brussels Antwern Liege and Chent

sels, Antwerp, Liege, and Ghent.

• Prestige Value—Belgium wanted the upcoming fair for a number of reasons. The most obvious is its prestige value. Many Belgians have long wanted to revive the country's earlier reputation as a cultural center—typified by the Flemish painters—which has lost out to a passion for business and trading during the past century.

Besides this, the fair may place Brussels in the lead as the place for locating the capital of the new Common Market in Western Europe.

Then, there's the possibility that the fair may put Belgium—for years, a mere stopover or third choice for vacationers—on the main tourist routes through Western Europe.

· Spit-and-Polish-So far, the country has tackled-and triumphed over-most of the problems of expanding tourist facilities and giving stodgy Brussels a new, spit-and-polish look. The government has pushed construction of more than six large motels that, along with expansion of existing hotels, have boosted Brussels' tourist accommodations from 12,200 beds to 61,000. The government has spent some \$40-million on new sections of roadway and underpasses to prevent traffic bottlenecks near the fair site just north of the city. There are also new parking lots big enough to handle around 43,000 cars, 2,000 buses, and 6,400 scooters and motorcycles.

For the fair itself, Belgium put 15,000 workmen on the job to help the 40-odd countries and seven supranational agencies (such as the United Nations) build pavilions and exhibits. The country had done a small but still profitable business in providing pavilion materials, such as a \$4-million structural steel order for the Russian pavilion.

• More Planes—While major improvements at Brussels' Melsbroek airport won't be finished until early June, Sabena, the Belgian flag carrier, has geared up its fleet of planes and expanded its staff to do a record business. It hopes to snare a large proportion of the hoped-for 700,000 tourists going over from the U.S. Beyond transatlantic flights, Sabena expects to shuttle tourists by helicopter from such cities as Paris to Brussels and to give them low-flying sightseeing trips over the Belgium countryside.

· Digging Deep-Meanwhile, th



in power costs with new Sylvania reflector fluorescents

More LIGHT-aimed right where it does the most good. That's the built-in benefit of Sylvania's new reflector fluorescent lamp -the lamp that's stepping up lighting levels in commercial and industrial installations of all types.

To conserve normally wasted light-and send it back in the right direction -Sylvania engineers built an efficient reflector right into a fluorescent tube. Thus, Sylvania can now offer you the biggest lighting bargain available today. These new Sylvania lamps actually increase the relative brightness of directed light as much as 60% with no increase in wattage.

Need far less maintenance Sylvania's internal reflector reduces the light-stealing effect of dust and grime on top surfaces of lamps. It lets lamps maintain high output from cleaning to cleaning. And-because they don't depend on your ceiling as a reflecting surface-Sylvania internal-reflector fluorescents can help you stretch out painting schedules.

Step up your present lighting Wherever your lighting plans call for fluorescent lamps in strip fixtures-or replacement of fluorescents in aging fixtures-add the "better than new" advantages of the new Sylvania line of internal-reflector fluorescent lamps-for more light where you need it-for reduced maintenance-for low-cost replacement.

Sylvania internal-reflector fluorescents are now available in single-pin and bi-pin types from your supplier. For additional information, contact your Sylvania Supplier or write for free literature.

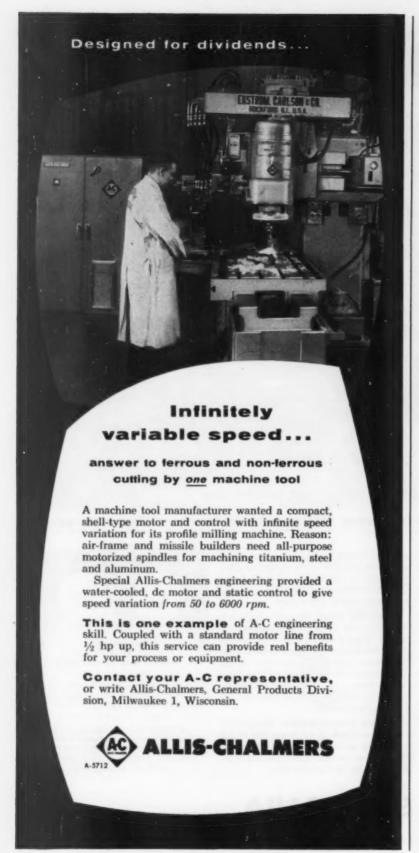


Sylvania internal-reflector fluorescent lamps are now available as direct replacements in standard single-pin and bi-pin types.

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Commissariat General running the fair has had to scrounge for funds. For instance, the fair office got no fee for the site of the U.S. pavilion. Instead, the U.S. government paid something like \$385,000 in Belgian government taxes on the purchase value of the material it bought in Belgium. To help finance its operations, the Commissariat General has raised \$24-million in a special lottery loan and another \$16-million by clipping a little bit off each of the \$2 tickets the average Belgian buys every three weeks in the Loterie Coloniale (for financing Belgian Congo developments). Then, the Commissariat Gencral expects to draw between \$8-million and \$10-million from gate money, plus fees for commercial concessions.

• Bargain Caviar—Food for fair visitors generally will be cheap. Caviar sandwiches, prepared by one of Stalin's cooks, will cost only 12¢ apiece. And there will be American hot dogs and Belgian frites (French fried potatoes) at bargain prices. Even the French are coming through with a fine four-course dinner under \$1.50. But the 45-seat restaurant in the top ball of the Atomium (page 84), the fair symbol built by Belgium, will charge \$12 a head minimum, without wine.

minimum, without wine.

• Expensive Sleep-While most tourists hardly expect small expenditures

ists hardly expect small expenditures while staying in Brussels and visiting the fair, some cynics point out that like most fairs, this one will have its full share of jacked-up prices. Brussels' Palace Hotel has raised prices around 50%, with a double room with bath costing \$19.80 top. The Metropole has

doubled prices.

Most of the new motels have swung a good deal for themselves from the government. They got a government guarantee of around 70% occupancy, then won approval to charge prices high enough to write off the whole building cost in a single season's operation. Besides these huge motels—Motel-Expo the targest, can handle 5,000 a night—the government is helping lay out a trailer and tent camp for 22,000 in a park two miles from the fair.

• Aftermath—From all this, Belgian economists figure the country will take in roughly \$600-million from an estimated 15-million foreign visitors. This will be an important addition to Belgium's foreign-exchange reserves, in view of weakened export earnings.

What worries the economists is just how far this sudden injection of money will pressure prices upward. Already the government is asking Belgians to show "civic duty" in holding down prices.

The really big jolt to the economy may come next fall, when the fair closes. The government is now planning a huge public works program after the October closing of the fair to help ease unemployment. END

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In Business Abroad

Trade Experts Predict Drop In U. S. Exports in 1958

The U.S. foreign trade outlook is getting darker as the recession continues. Washington trade experts figure commercial exports this year probably won't top the January annual rate of \$17-billion, even assuming some business upturn later this year. That compares with

\$19.5-billion in exports in 1957.

One bright spot is the increasing activity of the Export-Import Bank. Ex-Im predicts record orders totaling about \$625-million will be placed here by overseas purchasers under Ex-Im loans in the first half of this year. (That's roughly double average orders in recent years for the same period.) The largest chunks will be \$127.5-million for agricultural commodities, \$115.6-million for railroad equipment, and \$76.9-million for steel mill equipment.

Meanwhile, imports are holding up better than exports. The adjusted annual rate in January was about \$13-billion—off only around \$600-million from the fourth

quarter of 1957.

Foreign holdings of dollar reserves probably will grow. Trading nations like Britain and Canada almost certainly will choose to hold reserves rather than spend them on increased dollar imports—as long as business uncertainty in the U.S. persists.

Spain Buys GE Atomic Reactor Under U.S. Aid Program

Spain's first atomic reactor has been purchased from General Electric Co. under the U.S. "Atoms for Peace"

program at a cost of \$500,000.

The reactor, a 3,000-kw. "swimming pool" type, will be installed at Moncloa outside Madrid, and will be operated by the Spanish Nuclear Energy Council under the supervision of Spain's University of Salamanca. The U.S. supplied \$350,000 of the total cost of the reactor.

Gen. Stroessner of Paraguay Joins Roster of Embattled Dictators

Latin America's anti-dictator fever is catching. While Gen. Trujillo holds the Dominican Republic in his grip, Pres. Batista is battling rebels on Cuba. Now, in isolated, underdeveloped Paraguay—a country the size of California where U. S. oil companies have recently obtained concessions—Gen. Alfredo Stroessner is trying to put down a newly formed "civilian army for Paraguayan freedom."

For decades, the Colorado Party has ruled Paraguay. In July 1954—after political upheavals—Gen. Stroessner took power. Just last February, he staged elections in which he was the only candidate and most opponents were jailed. That's exactly what Pres. Perez Jimenez did in Venezuela in December—and it led to his overthrow two months later.

Last week Paraguayan rebels captured an arms depot, started uprisings in three towns. Backed by the outlawed Liberal and Febrerista parties (which have some 250,000 exiled sympathizers living across the border in Argentina), the rebel force numbers more than a 1,000 men.

Stroessner has hit back by increasing arrests, muzzling the press and radio, and interfering with airline flights in and out of Asuncion, the capital city. He now faces stiff opposition from the Catholic Church, which—along with the rebels—is demanding a restoration of the country's basic freedoms, elimination of government corruption, and economic reforms.

Post-Peron Recuperation Board Winds Up Its Affairs in Argentina

This week Argentina's National Wealth Recuperation Board, which had investigated 72 U.S. and foreign companies and hundreds of Argentinians to uncover deals made with the Peron regime, wound up its business. Its last act: a ruling confiscating the properties owned by Jorge Antonio, one of Peron's main boosters.

The ruling is mostly a formality. Antonio already has transferred abroad most of the estimated \$75-million fortune he amassed under Peron. And earlier this year, the Argentine government confiscated one of Antonio's main holdings—the \$15-million Mercedes Benz plant.

At one time, the Recuperation Board's blacklist included Capehart, Kaiser, Siemens, and Fiat subsidiaries. Essentially, this meant government supervision of company finances. But the provisional government later acquitted these companies—partly because so-called interdiction was doing more harm than good by paralyzing important industries.

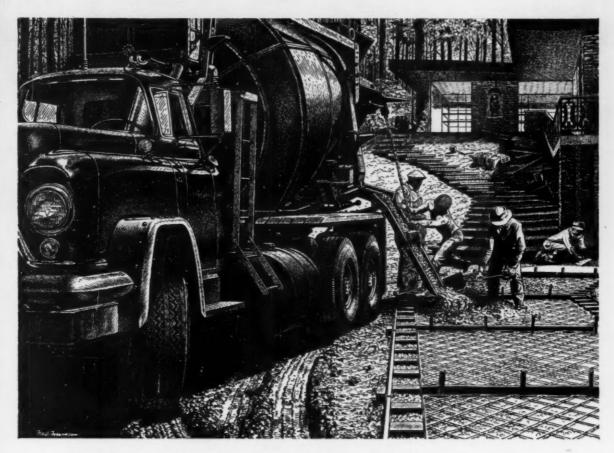
While the dissolution of the Recuperation Board is another move back to constitutional practices, the government is still holding on to the Mercedes Benz plant as a "friendly pawn" in future negotiations to get West Germans to inject new capital into Argentina.

Willys Will Produce Passenger Cars In Brazil, Official Agency Reports

Three weeks ago Chrysler pulled out of its deal to produce Plymouths in Brazil in Willys' Sao Paulo plant (BW-Mar.22'58,p107). Now Willys has stepped into the breach with a plan to produce its 1955-model passenger car, according to GEIA, the Brazilian government agency that regulates auto-truck investments and production.

Willys reportedly will ship tools, dies, and other machinery from storage in U.S. to Brazil. The plan calls for output of 60,000 units yearly by 1961—including the passenger car and Jeeps, which now are produced at the

Sao Paulo plant.



Working against time, transit-mix trucks call for . . .

Delco-Remy Extra-Duty Electrical Equipment

to keep batteries charged

To a large extent, work time for transit-mix trucks is a matter of "hurry up and wait"—with engine idling. Waiting at the plant, loading. Waiting at the job site, unloading. And in actual fact, a good part of the hurry-sing from plant to job is done at low speeds.

Transit-mix trucks with two-way radios and other units, therefore, have special electrical requirements. And Delco-Remy extra-duty d.c. generators are proving their dependability in this kind of service, every working day. With them, transit-mix truck operators get the extra output needed to keep batteries charged—at engine idle and at low engine speeds. With the right generator and matching Delco-Remy regulator, batteries are protected against excessive discharge and cycling effects, stay charged and last longer.

Both 6- and 12-volt generator application packages are available. Specify Delco-Remy extra-duty electrical equipment, including the new longer life Delco batteries, when you order your new vehicles—or when you reequip your present ones.



Model 1106986 is typical of several Delco-Remy d.c. generators which are specially suited for vehicles in low-speed-and-idle operation. This dependable 12-volt unit can produce 20 amperes at engine idle, with maximum output of 50 amperes at about 20 mph.

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A Recession by Any Other Name . . .

DURING this year's Congressional hearings on the President's Economic Report, the following dialogue took place between Sen. Paul H. Douglas (D-Ill.) and Dr. Raymond J. Saulnier, chairman of the President's Council of Economic Advisers:

Saulnier: . . . We are now in . . . the contraction phase of a business cycle.

Douglas: You don't say "reces-

Saulnier: I am content to let people put any name they want on it . . .

Douglas: You studied under Wesley Mitchell, didn't you?

Saulnier: Yes.

Douglas: He developed the word

"recession," didn't he?

Saulnier: Wesley Mitchell was devoted to the use of words that carried as clear a quantitative connotation as possible. I think of this as the contraction phase of a business cycle. And I feel no— Douglas: You would not think

Douglas: You would not think it an act against the Holy Ghost to refer to the present condition as a recession, would you?

Saulnier: I would not inject the Holy Ghost into any of these deliberations.

Douglas: Would you think it unpatriotic to use the term "recession"?

Saulnier: Nor unpatriotic.

Nevertheless, Saulnier would not utter the word, and Sen. Douglas finally declared: "As they do in elementary school, I would suggest that you spell the word 'recession' 100 times."

BUT was the senator from Illinois too harsh? Is the word "recession" so firmly established that there is no other way to describe the present you-know-what?

"Recession," after all, is a relatively new word, at least when used to describe a business decline. The 1954 edition of Webster's New International Dictionary, for instance, lists "recession" up front among Addenda—new words. It is defined as "a slowing down of commercial and industrial activity... less severe than a depression." To be sure, in other uses "recession" goes back a long way—at least to

1652 when one J. Smith observed: "Neither were it a Happiness worth the having for a Mind . . . by a Recession into itself, to spend an Eternity in self-converse." Good advice to economists, still-but not what Sen. Douglas meant.

At the dawn of modern economics, what Sen. Douglas now thinks of as a recession was known as a "panic." In 1757, for example, Harris in his treatise on coins noted that you couldn't alter the money standard without producing "distrusts and panics." In this sense, notes the New English Dictionary on Historical Principles (1888 edition), "panic" meant "a condition of widespread apprehension in relation to financial and commercial matters." But, as the years passed, "panic" came to be regarded as an almost unspeakably indelicate word. There set in what we may call Gresham's Law of Economic Language: Bad words drive out good, or delicate words drive out words that everybody understands.

So "crisis" was born—a word that clearly had assumed the same meaning as "panie" by the time John Stuart Mill wrote his 1848 edition of Principles of Political Economy. "There is said to be a commercial crisis," said Mill, "when a great number of merchants and traders, at once, either have, or apprehend that they shall have, a difficulty in meeting their engagements."

But Gresham's Law of Words marched on. And "crisis" began to give way to a pleasant term of Latin origin, "depression," a sort of sinking spell. By the 1880s in Britain, it had acquired official status with the establishment of the Royal Commission to Inquire Into the Depression of Trade and Industry.

Latin words tarnish slowly, and "depression" had a long life ahead of it. But it, too, became too horrid as the 1930s wore on. And when the economy headed downward in 1937, "recession" took its place.

ACTUALLY, "recession" was born earlier—in the 1920s—but its use was then limited to academic circles. Its father, as Sen. Douglas correctly noted, was Prof. Wesley C. Mitchell, of Columbia and the National Bureau of Economic Re-

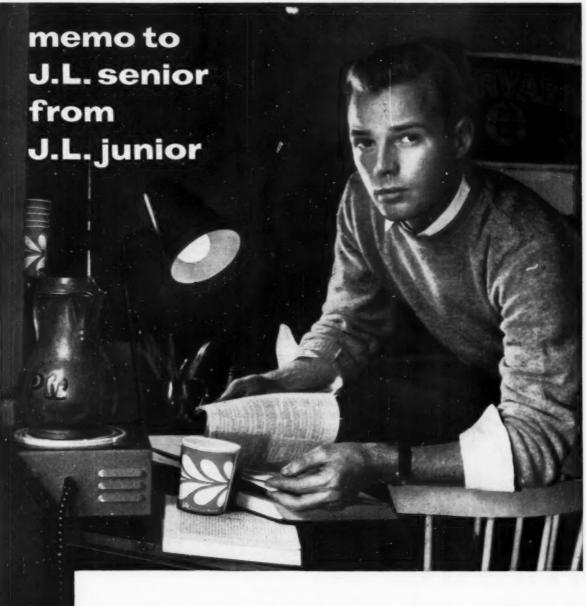
search, who described the phases of the business cycle as contractionrevival-expansion-recession.

But some economists have been unable to see anything they could call a cycle at all. Profs. W. Allen Wallis and Harry V. Roberts of the University of Chicago have observed that "almost any series, if stared at long and hopefully enough, begins to shape up into patterns and cycles." Wallis and Roberts suggest that some enterprising new Rohrschach should develop a test of statistical personality by putting random series of numbers in front of economists and seeing what cycles they perceive.

Nevertheless, the public will insist on having names for things—if possible, pleasant names for things, so Gresham's Law flows on. "Recession" has obviously begun heading for the trash can. In the postwar period we have seen slides, slips, and slumps. We have been through readjustments and rolling readjustments. We have had dynamic recessions, straight-line recessions, and confident recessions. We have enjoyed the pause that refreshes, the lull, the breather, and the period between booms.

BUT WHERE do we go from here? A projection of past trends indicates that by 1965 what Sen. Douglas now thinks of as a "recession" will be known as a "recreation"; by 1975 as a "regeneration"; by 1985 as a "recovery"; and by 2000 as a "boom." On the other hand, what we now think of as a "boom" (referred to by Jay Gould in 1872 and others as a time when business was "not bad") will by the end of the 20th Century become successively a "voom," "zoom," and "wharrooom."

Economists, of course, will not use language so loosely. Still, they too will make progress. Instead of referring to the phases of the business cycle, as Dr. Saulnier and his colleagues do today, as "expansions" and "contractions," economists will speak of "explosions" and "implosions." Both, of course, will be marvelous, especially explosions. You may be sure that a rise by any other name will smell as sweet



Dad -- item for the "suggestion box:" we use a cup here **FIRNER** that actually <u>saves the flavor</u> of coffee. It's called LILY CHINA-COTE. Why not give it a whirl at the "shop?" I'd say it could be a real morale booster for the men.

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REGIONS

Why Do Arkansans Vanish?

That's what Arkansas would like to know. From a tentative study, some of the brightest young people may depart because Arkansas businessmen don't offer them jobs.

Any standard reference book will tell you what Arkansas contributes to the nation—lumber and timber products, cotton, bauxite, and oil, among other items. Whatever commodities the list contains, though, there's sure to be a glaring omission—in the long run, Arkansas' most significant export of all may prove to be people.

Like most of the rest of the U.S. South, Arkansas has been steadily draining population. The tide started flowing outward in the 1940s; it accelerated in the 1950s. Between 1950 and 1956, while U.S. population as a whole was swelling by 11%, Arkansas lost an estimated 7.8% according to the Census Bureau, slightly more than 6% according to the University of Arkansas Bureau of Business Research. In any case, no other state gave up so many citizens in those six years, and, as a result, in 1956 Arkansas was only a little better off in population than it was in 1920. · Few Efforts-Little has been done to find out why Arkansans leave homeand what to do about it. However,

the state cope with its problem:

• A study of the state's labor force by the Industrial Research & Extension Center of the University of Arkansas. This is the research adjunct of the Arkansas Industrial Development Commission (BW-Dec.22'56,p74). The analysis reveals what specific Arkansas cities and counties the evacuees are leaving behind.

two tentative steps may eventually help

 A series of University of Arkansas seminars to induce students to stay in the state after graduation.

 Arkansas Apathy—Many responsible Arkansans tend to shrug off the exodus on the ground that it's made up mainly of undesirables, most of them Negro. Says an advertising agency owner: "We're just getting rid of our submarginal people who have been displaced by machines on the farm."

But a population breakdown made by AIDC's Industrial Research & Extension Center for its labor force study tells a different story. It's true that between 1940 and 1950 the departure of Negroes was entirely responsible for the first population decline in Arkansas history. But from 1950 to 1956, Negroes and whites left at roughly the same rate—6% of the total population.

 Upward Mobile—It's also true that the biggest loss since 1950 has been in rural farm population. But the decline took a bigger percentage chunk out of the state's total of higher-income, better-educated farmers than it did from the restless pool of sharecroppers and farm laborers. "Young people from higher-income farm families are more ambitious and have more expectations than others," explains Dr. John M. Peterson, labor economist in charge of the study. "We have found that they tend more to migration than any other group. After all, it takes a little money simply to pack up and leave."

• Few Stay-at-Homes—So Arkansas is exporting many of the young, bright, ambitious men and women who would otherwise become its leaders.

Examine what happened to the class of 1957 at the University of Arkansas. According to L. D. Trager, the university's director of placement, 15 arts and science graduates left the state for every one who stayed. In business administration, two departed for each one remaining behind. And Trager says 1957 was the best year ever for finding jobs inside the state—he notes proudly that this time Arkansas managed to keep 10% of the technical graduates.

• Chosen Cure—The chief remedy Arkansas seeks to apply is industrialization. Through AIDC and other avenues, it has been busily soliciting industry.

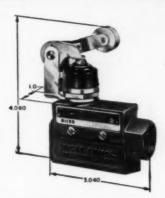
Such an approach has worked, too. Per capita income has climbed from \$825 in 1950 to an estimated \$1,121 in 1957. In six years, average weekly pay of industrial workers jumped from \$38 to \$62, industrial employment increased 16%. From 1955 to 1957, 316 industries either expanded or located anew in Arkansas.

Without exception, every one of the cities and counties bucking the state trend and reporting a population increase in the latest census studies had received a transfusion of new industry.

• Homesick Arkansans—A preliminary Census Bureau estimate pegs the state's 1957 population at slightly more than the year before, which suggests that the decline may be at an end. But, even with the progress toward industrialization, there's still the evidence of the university's class of 1957 and how it scattered after graduation.

And these Bright Young Men (and women) aren't the only Arkansans who fail to find opportunity at home. At the university, Trager receives 300 to

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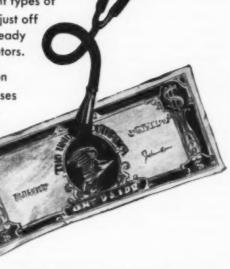
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400 letters a year from out-of-state alumni who would come back if they could find suitable jobs. AIDC drew about 1,000 replies when it advertised in county newspapers to find out how many Arkansans living outside the state—especially skilled laborers—would return if they could.

Trager gives one clue to why college seniors go elsewhere: In recruiting sessions, practically no one invites them to stay. Says Trager: "Only about six Arkansas companies come up here a year, and it ought to be 60. They feel that they can't sit next door to General Motors and du Pont to interview, but they can; these kids are smart enough to know that opportunity is just as great in a small company as in a large one.' · Talking It Out-Just about the only organized effort to change all this is an annual sales seminar started eight years ago at the university by the Little Rock Sales Executive Club and the campus Marketing Club. The seminars were designed to coax more young people into sales careers, but they also aim at keeping more of them in Arkansas.

At first, only half a dozen sales executives ventured the 200 miles from Little Rock to the campus for the occasion. But this spring there were 25.

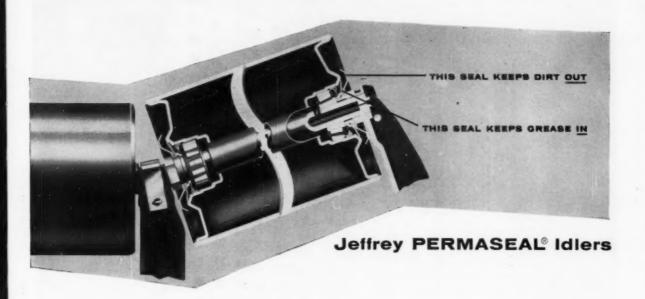
Over and over again, from the 125 students who flocked to the two-day gathering, the businessmen heard comments like this from a 21-year-old gin who had accepted a job with Foley's department store in Houston: "No one from any Arkansas store has talked to me, and I really think it's a shame. I'd like to live here—it's my home, and it would be more inexpensive." Marketing seniors had been wooed by recruiters from Foley's, from Macy's in Kansas City, from Neiman-Marcus in Dallas, from Burdine's in Miami—but there were no courters at all from Arkansas.

Summed up a boy from a small town in northeast Arkansas: "There's nothing for me back home. They are talking about a new factory, but I don't think they'll get it. I don't think any college graduates have ever come back to town since I can remember."

• Results—To the students, the Little Rock delegation could offer pep talks on Arkansas' future and—this year for the first time—40 job descriptions from Arkansas companies interested in hiring husiness school graduates

business school graduates.

Dr. Harold A. Frey, head of the university's department of marketing, values the seminar program. "Each year the number of marketing majors who stay in Arkansas gets a little higher," he says. But there's still room for improvement. In the last five years, Foley's in Houston has hired 30 of the university's marketing grads—more than from any other state. In the same period, Little Rock stores have taken on exactly two. END



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Businessmen Love Time Buying

 Consumers aren't the only ones who use installment plans to make purchases in these days of high costs

Corporations are buying on time, too—and, in general, installment sales of machinery and industrial equipment have done better than sales for cash.

 Finance companies are handling more and more of this kind of business for manufacturers.

Corporations are turning in growing numbers to a form of financing once thought to be the exclusive province of the consumer: installment buying. That's the word from the makers of capital goods and from the nation's major sales finance companies, the concerns that have been encouraging this form of financing to increase their own business.

Although cutbacks in capital expenditures (BW-Mar.15'58,p25) have hurt sales of machinery and industrial equipment, installment sales of such capital goods have generally fared better than cash sales.

 At MHE Corp., a wholly owned subsidiary of Yale & Towne Mfg. Co. set up to finance the sales and leasing of Yale & Towne's materials handling equipment, business has increased every month since its formation in 1953.

 At CIT Corp., industrial financing subsidiary of CIT Financial Corp., business has improved so far this year over the same 1957 period.

 At Chicago's Walter E. Heller & Co., a big finance concern handling industrial installment loans, outstanding installment paper rose from \$37million in 1956 to \$41-million last year.

 At Jones & Lamson Machine Co., while sales over-all are down, installment sales lately have been holding even with cash sales.

• Same Principle—An installment purchase of a big piece of equipment is far more complicated than buying, say, an automobile on time. Essentially, the principle is the same—you buy a product, and instead of paying for it in one lump, spread the payments out over a period of time. You pay a finance charge for the service, and whoever handles the financing holds a lien on the equipment until it's all paid for. But that's where the resemblance ends.

Setting the terms on installment buying of capital goods often involves analysis of the earning power of the equipment, the geographical area in which it is to be used, its life, its resale value. An Idaho builder, for instance, who buys a fork lift truck may arrange to make monthly payments only eight months of the year, because he can't do much building during the winter. A Florida builder, however, can operate throughout the year, and so he makes monthly payments the year around.

The earning power of the equipment is a vital consideration in the initial decision as to whether or not the sale will be financed. Heller says it might finance an equipment purchase by a company whose net worth may not equal the size of the financing—if it seems likely that the new equipment will earn enough to pay for itself and to enhance the company's value.

• Sample Case-Most manufacturers arrange financing through a sales finance company. Jones & Lamson, for example, works with CIT Corp. The period over which monthly payments may be spread normally runs up to five years. The purchaser gets immediate possession of the equipment; Jones & Lamson retains title as security. A down payment of 25% is due before shipment, and the balance is paid over a period of time, selected by the customer, in equal monthly installments. A five-year plan covering the purchase of \$1,000 of equipment, for instance, entails an interest rate of 6% a year on the declining balance. By the time the equipment is paid for, the purchaser has paid \$1,225 for it.

Jones & Lamson holds down the finance cost by foregoing its profits until the contract nears its end. When CIT agrees to finance a purchase, it does not pay Jones & Lamson the complete selling price of the equipment—as is done in standard financing arrangements. Instead, CIT pays Jones & Lamson a portion of the selling price. Thus, the customer owes CIT a smaller amount of money than he would normally owe, and consequently pays less interest.

• Free Loan-Part of each monthly payment to CIT goes to pay off the sum, and another part goes to Jones & Lamson. The remainder is held in reserve by CIT until the contract expires. Jones & Lamson charges the customer no interest on this part of the machine's selling price. In effect, Jones & Lamson loans the customer a sizable sum of money for several years, interest-free.

Financing over a period longer than five years isn't normally handled via Jones & Lamson itself. The customer is referred to CIT and arranges his financing directly through the finance company.

• Business Borrows, Too-Industrial time payment plans aren't new. They're rooted in the development of consumer installment credit. As consumer installment credit grew in volume, small businessmen began taking out personal loans for business purposes.

The personal credit departments of banks handle consumer installment credit loans for commercial or industrial uses. These loans may be made for the purchase of everything from a new cash register for a corner grocer to a \$50,000 press for a job printer. At last count, New York's First National City Bank of New York, for example, had 166,000 such loans on its books, totaling more than \$322-million. These loans, however, rarely run over \$25,000 each. For major purchases, corporations turn to the finance companies or the equipment manufacturers themselves.

 Why the Vogue—There are a number of reasons underlying the growth of installment buying of capital goods:

 The growth of the economy generally has stimulated the expansion in sales of capital goods.

Costs of equipment have grown.
 Use of capital equipment has grown as machinery has substituted for

manpower.

 Both equipment manufacturers and the finance companies have promoted installment buying of capital goods. This, together with the expanding acceptance of consumer installment credit, has educated business to the benefits of buying capital goods on time.

 Many businesses are plagued by a shortage of cash and other liquid assets (BW-Jan.4'58,p56). So corporate treasurers have been scrambling for methods of conserving cash. Installment buying of equipment, therefore, is increasingly attractive as a means of holding on to cash reserves.

 The finance charges on installment purchases are fully deductible for tax purposes; this reduces the net cost of the purchase to the buyer.

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. . . about pro investors holding off . . . scarce "eating money" . . . inflation's effects on earnings and dividends.

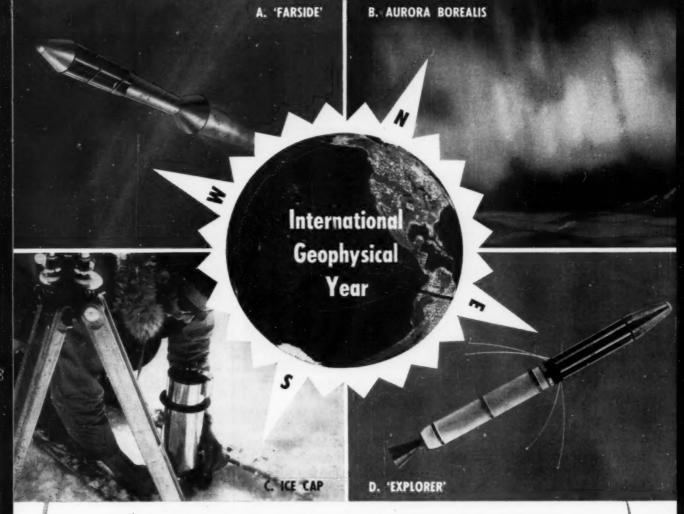
Institutional investors are delaying stock buying until they can see the market reaction to the coming flood of sour reports on first-quarter earnings (page 107), according to Streeters. The pro money managers feel that the run of investors and traders don't realize what shocks they will get from the reports, especially on the sparse, often incomplete, coverage of dividends. So the pros feel sure that lower prices will be the end product.

Inflation is not automatically bullish for stock prices generally. That's the warning of Harry Comer, of Paine Webber, Jackson & Curtis. According to Comer, "Inflation is bullish only when it promises to provide increased earnings and dividends." He points out that the recent inflation has actually lowered dividends and earnings, since the rising costs resulting have finally outpaced the ability-or willingness-of consumers to buy.

"Cuts of one-half a percentage point in the rate offered for savings will be common in the second half of the year," says Joseph Holzka, president of the U.S. Savings & Loan League. Many Streeters agree with him.

There's one big difference between now and September, 1953, when a sharp rally started the final-and most lucrative-leg of the 1949-1956 bull market. As one cautious Streeter keeps pointing out to itchy clients, (1) industrials on the average have almost doubled in price since then, and are selling at 12.4 times earnings compared with 8.6 times, (2) yields from industrials are only 4.32%, compared with 6.20%, and such yields are only 1.2 times as much as from high-grade corporate bonds, compared with a 1.9 ratio at the earlier date.

Stock splits in reverse have re-appeared for the first time in years. U.S. Air Conditioning this week will give stockholders one new share for each five held; Barium Steel is proposing a 1-for-4 reverse split. In each case the motive is a yen to get such stocks out of the cat-and-dog price class. Thus Barium sold as low as \$3.75 this year, while U.S. Air Conditioning has touched 621¢.



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AT THE FOUR CORNERS OF THE EARTH, more than 5000 scientists from 67 countries are joined in an all-out assault on the vast gaps in our knowledge of the universe. In, on and above the earth, studies are underway to learn more about how we can make better use of the planet we call home.

- A. ENIWETOK, South Pacific Four dozen tiny Texas Instruments components (diodes and transistors) rode more than 4000 miles out into space in Operation Farside, current holder of rocket altitude record.
- B. NORTH POLE, Arctic recti/riters, TI ink-writing rectilinear recorders, trace the flicker of the aurora borealis and measure the all-but-invisible polar airglow.
- C. SOUTH POLE, Anterctic Texas Instruments seismic exploration systems plumb the depths of the polar ice cap... TI's famed Worden gravity meters weigh the earth beneath...recti/riters warn scientific adventurers against deadly ice crevasses.
- D. CAPE CANAVERAL, Florida TI transistors and diodes in the Jupiter-C missile helped put the Explorer on its journey...and the United States' first satellite uses Texas Instruments transistors.

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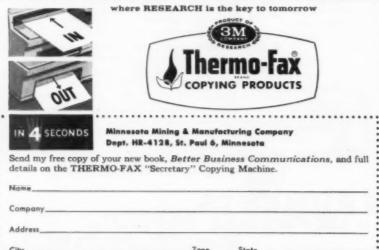
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FINANCE BRIEFS

Big issues of industrial bonds are becoming numerous again. Offerings slated for this week include: Aluminum Co. of America's \$125-million 24-year debentures; American Can's \$80-million 30-year debentures; Douglas Aircraft's \$60-million 20-year debentures; Seagram & Sons' \$40-million 30-year debentures. And the Investment Dealers' Digest reports that as of Apr. 3 some \$2.1-billion new bonds and preferred issues had been announced for subsequent offering.

1958 auto output will run between 4.5-million and 5-million, compared with 6.1-million cars last year. That's the latest industry estimate as reported by Standard & Poor's, which adds that many in the trade lean to the lower figure. This would mean Detroit's worst year since 1952.

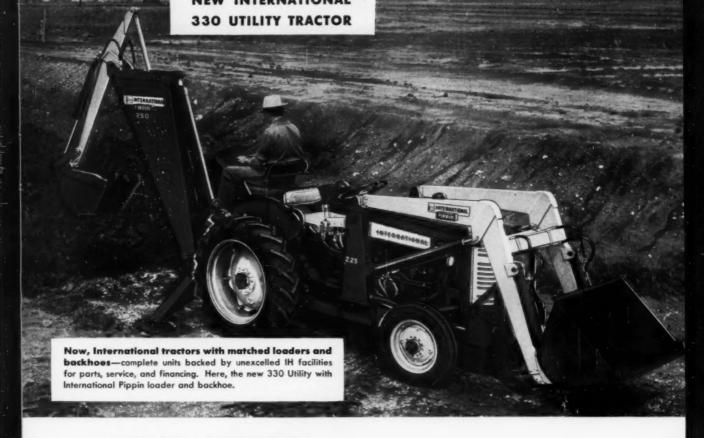
A merger in business machines is cooking. Directors of Smith-Corona, Inc., and Marchant Calculators, Inc., have agreed in principle to join forces. Stockholders will be asked to approve the terms, by which each share of Marchant would be turned in for 1½ shares of Smith-Corona. The deal would create a major new factor in the office equipment field; last year the pair had combined sales of \$85-million.

Rail loadings will drop 10.6% in the second quarter, in the collective guess of the regional Shippers Advisory Boards. But SAB predictions have erred in the past, and this time Moody's Investors Service, for one, thinks a 17% drop is more likely. That would compare with a 19% shrinkage in the first quarter, and a 13.9% drop in the last quarter of 1957.

State and municipal financing shot up 26% in the first quarter, pushing close to \$2.2-billion. The Bond Buyer says that was the largest first quarter on record; the previous top was \$1.8-billion last year.

Eastern Corp., maker of high quality business paper and a seller of pulp, apparently wants to diversify further within the paper field. It's discussing the absorption by merger of Standard Packaging Corp., which produces paper board and paper specialties, especially containers for perishable food.

Hearings on the Capital Bank Bill-designed to provide a new source of credit for small business—are scheduled to begin in Congress later this month. Among those favoring the bill are small business groups that charge that the banks "discriminated" against them during the tight-money period.



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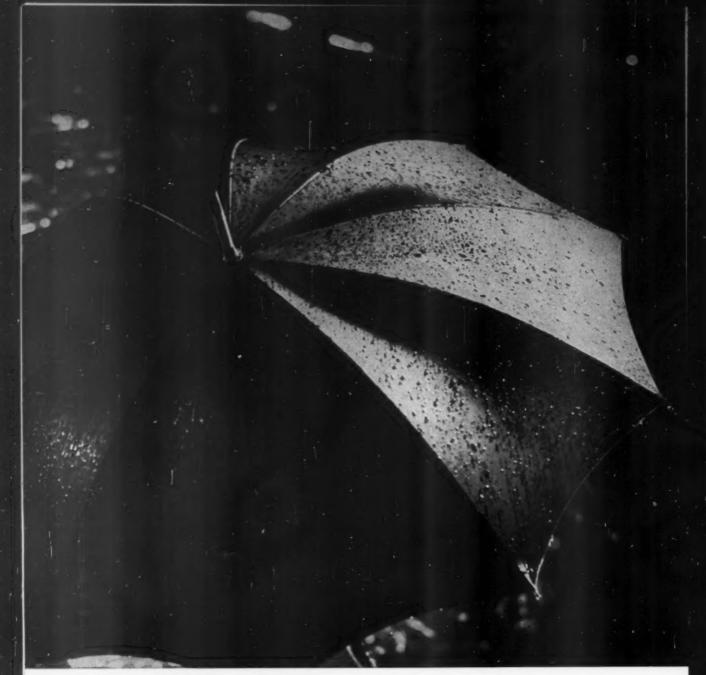
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First-Quarter Results: A PREVIEW

	4	- SALES	-		. EARNINGS-D
			% Change 1958 vs.		% Change 1958 vs.
	1958	1957	1957	1958	1957 1957
ACF Industries.* American Marietta ** Belmont Iron Works ** Avco Mfg. ** Boddis Plywood *	\$69,513 45,265 3,213 70,580 12,039	\$72,925 41,133 2,977 83,194 11,768	-15.2 + 2.3	\$1,861 2,139 189 2,798 D118	\$2,200 — 15.4% 2,435 — 12.2 268 — 29.1 3,120 — 10.3 170
Buffalo-Eclipse * Caterpillar Tractor # Central Soya ** Chain Belt * Continental Motors *	5,976 80,950 49,452 12,620 32,069	123,231 48,592 13,819 31,669	+ 1.3	41 1,611 1,088 680 603	353 — 88.4 9,736 — 83.5 1,054 + 3.2 964 — 29.5 758 — 20.4
Cosden Petroleum * Dana Corp. ** Dayton Rubber * Dresser Industries ** Eagle-Picher **	22,597 46,122 18,222 58,406 24,201	53,535 16,353 63,171 31,863	- 7.5 -24.0	1,099 2,951 201 3,135 505	1,514 -27.4 3,820 -22.7 441 -54.4 4,532 -30.8 1,364 -63.0
Ex-Cell-O Corp. ** Fedders-Quigan ** General T. & R. ** Glidden Co. ** Gould-National Bat. **	34,296 14,483 95,566 47,719 16,561	21,902 95,497 53,716 20,244	+ 1.1 -11.2 -18.2	2,514 542 1,754 916 755	834 - 9.5
Hooker Electrochem. ** Hoover Ball Bearing * Hunt Foods ** Int'l Harvester * Kelsey-Hayes **	23,005 6,055 29,916 218,730 44,954	5,511 23,671 253,135 54,914	-13.6 -18.1	1,766 451 1,004 6,810 398	2,226 - 82.1
King-Seely * Leeds & Northrop ** Masonite Corp. ** Miehle-Goss-Dexter * Mueller Brass **	8,457 8,662 — 13,594 11,798	9,672	-10.0 -10.4 -18.7 -17.3	27 278 806 712 274	463 — 40.0 863 — 6.6 1,293 — 44.9
Murray Corp. ** Norris-Thermador * Northwestern Steel * Parke, Davis E Robbins & Myers **	11,493 10,741 10,315 - 6,096	11,382 20,401 - 8,224	+ 8.0 - 5.6 - 49.4 + 12.0 - 25.9	D729 465 634 	$ \begin{array}{r} 600 -22.5 \\ 1,261 -49.7 \\ -+25.0 \\ 309 -87.4 \end{array} $
Spencer Kellogg ** J. P. Stevens * Taylor Instrument * Wesson Oil & Snowdrift West Virginia P. & P. ##		95,849	-5.3 -11.4 $+0.3$	137 1,486 49 855 2,668	2,074 -28.4 441 -88.9 683 +25.2

*3 months ending Jan, 31. **3 months ending Feb, 28, # Jan.-Feb, ##4 months ending Feb, 28.

D Deficit. E Jan.-Mar, estimate.

The Prospects Are Poor

Early-bird reports indicate first-quarter earnings are going to show some sharp drops.

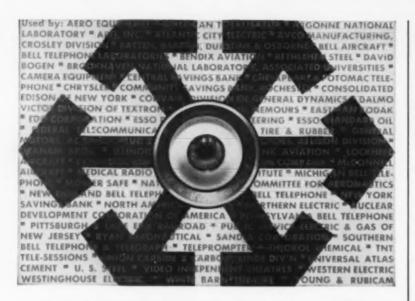
Declining business is biting deeply into corporate profits—a lot more deeply than casual observers might realize.

You don't see much reflection of this fact in the stock market, which has been giving an encouraging price performance lately (BW-Apr.5'58,p126). But all the signs indicate that as first-quarter reports on earnings come out in

the next few weeks many of them will strike a very sour note.

These reports, of course, are still being combed over in the privacy of company auditing departments. But the story that they are going to tell is previewed to a considerable extent in the reports already published by companies whose fiscal years are out of step with the regular calendar—companies with "first quarters" that actually end in January or February.

 Big Disappointment—The tabulation above gives you an idea of just how disappointing the later reports will be. If



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Name	Title	
Company		
Company		

they follow the trend of the early sampling, they will be as bad as any since the war.

The warning signs in these early-bird reports are bolstered by a whole spate of executive pronouncements, at annual meetings and in addresses to such groups as the societies of analysts. Here's a sampling of these frank predictions of the bad news that will emerge with the actual first-quarter reports:

Aluminium, Ltd., says its 1958 firstquarter results "will not be very good." Celotex Corp. says its year is off "to

a terribly slow start."

Eastern Gas & Fuel estimates that its first-quarter earnings ran 75¢-80¢ a share, or less than half their level in the 1957 period.

Elastic Stop Nut puts its earnings at around 12¢ a share, compared with \$1.06 a year ago.

Flintkote Corp. admits its earnings were "disappointing."

Koppers Co. says its earnings skidded way below the year before, and failed to cover its 62½ e quarterly dividend.

Link-Belt sales were off 15%, with profits "the lowest in some time."

Monsanto Chemical talks of a net "substantially lower" than its "unsatisfactory" first quarter a year ago, though earnings did cover its cash dividend.

Pittsburgh Coke & Chemical says earnings failed to cover its 25¢ first-quarter dividend.

Pittsburgh Plate Glass calls both its sales and its net "very poor" in the first quarter.

Tung-Sol Electric says sales and carnings made "a much poorer showing than in the first quarter of 1957."

Wagner Electric figures its sales were off 12%, its net down 30%.

Walworth Co. stayed in the black but says both net and sales were off substantially.

Westinghouse Electric says profits "will fall short" of its 82¢ a share a year ago, in spite of earlier Street guesses that they might run as high as \$1.25.

Very few such "official estimates" are available yet for the harassed auto and steel industries, and the chemicals. But shrewd Streeters are gloomily guessing that Chrysler probably went deep into the red for the first quarter, while Ford had very unsatisfactory earnings. Other estimates are that U.S. Steel, Bethlehem, and Union Carbide at best barely covered their dividends, while Republic Steel, Jones & Laughlin, and Olin Mathieson Chemical very likely failed to cover their payouts.

• Bright Spots—Not all the estimates

• Bright Spots—Not all the estimates are sad. Apparently, profits either held firm or rose among the cigarette makers, the drug and dental supply trades, many segments of the food business, the electric and gas utilities, and the commercial banks.

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Designers: Men Who Sell Change

Once limited to fashioning better looking wares (cover), industrial designers are fast approaching an acceptance like that of admen.

The handful of men pictured here—so diverse a group it's hard to put them under one umbrella—have one attribute in common. All are general practitioners of change.

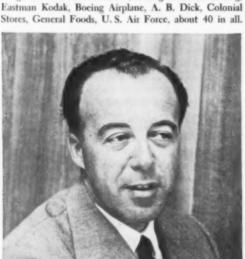
At a time when industry is counting heavily on change to spur sales, the industrial designer holds a key post. His job, as he sees it, is to help manufacturers administer change intelligently, so that both producer and consumer will profit. This job takes on fresh importance now, when the industrial air is thick with controversy over the value of yearly model changes as a merchandising device—the mind leaps immediately to Detroit. The designer stands right in the midst of the battle.

• Head to Toe—Industrial design's role has spread far in recent years. Back in the 1930s, when industrial design was still new in this country, change meant mainly a better looking or a better acting product. Industry now is hiring designers to give a new shape or look to a whole corporation. On such an assignment, the design job may reach all the way from factory layout, through product, packaging, delivery trucks, uniforms for drivers, retail interiors and displays, the trademark, down to the look of the scratch pad the executive doodles on.

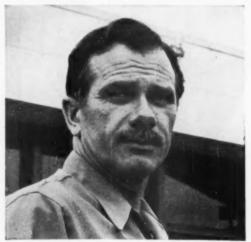
The "airbrush boys" of 20 years ago are now up to their ears in long-term planning for their clients. They search out uses for new materials for basic suppliers. They develop products for companies that know only that they want



WALTER DORWIN TEAGUE: "Dean" of U.S. design has a staff of about 140, serving Schaefer Brewing, Eastman Kodak, Boeing Airplane, A. B. Dick, Colonial Stores, General Foods, U.S. Air Force, about 40 in all.



WALTER MARGULIES, president, Lippincott & Margulies. With founder Gordon Lippincott and staff of 100, counts U.S. Steel, Worthington Corp., Continental Can, American Tobacco among its 48 clients.



DAVE CHAPMAN: Biggish concern with about 50 on staff, his 30 clients include Alcoa, Hussmann Refrigerator, Johnson Motors, Montgomery Ward, Moto-Mower, Parker Pen, Scovill Mfg., Stewart-Warner.



CARL SUNDBERG, partner with Montgomery Ferar, has staff of over 50. Among his 25 clients are such names as Whirlpool, RCA-Victor, Square D, Remington Rand; Landers, Frary & Clark, and Sears, Roebuck.



HENRY DREYFUSS with Teague and Loewy is one of the Big Three. His staff of 50 concentrates on about 15 clients, including Bell Telephone Laboratories, Crane, Cities Service, Deere, Warner & Swasey, Hoover, Ltd.



GEORGE NELSON: Smallish staff of about 24 serves Herman Miller Furniture Co., Howard Miller Clock, Colonial Williamsburg, Monsanto Chemical, General Electric Co., Aluminum Extrusions.



RUSSEL WRIGHT: About half his staff of 25 are in the Far East on government assignment. Other clients: Ideal Toy, du Pont, Schwayder Co., Edwin M. Knowles China, Northern Industrial Chemical.



RAYMOND LOEWY: Staff of 200, some 150 clients make his concern one of the giants. Clients include United Air Lines, J. C. Penney, Brown-Forman Distillers, Shell Oil, National Biscuit, Brush Electronics.



CHARLES EAMES: Runs his small but influential firm with his wife and staff of about six. Bulk of his designs go to Herman Miller Furniture Co.—for whom he designed the by-now fabled Eames chair.



PETER MULLER-MONK runs a Pittsburgh firm of about 30. Big clients include Westinghouse, U. S. Steel, Alcoa, Schick, Graflex, plus important government assignments for Israel and Turkey.

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"... a product that comes through a designer's hands must function better, sell for less, and have more visual appeal . . ."

STORY starts on p. 110

to get into new fields. Merchandising, retailing, public relations all come within their province.

The designer is beginning to take on the importance as a management prop that advertising and public relations agencies have held.

· No Unanimity-Designers are quite clear in their minds as to what industrial design is not. It is not "weekend" or "in and out" styling. But there's no such unanimity on what it is. Ideally, says George Nelson, of George Nelson & Co., Inc., New York, it is making a product look what it is. It deals with both the function and the visual aspect of industry's wares.

In this, designers differ from engineers, whose prime job is to see that the specifications set by management can be made to work. Walter Dorwin Teague (Walter Dorwin Teague Associates), unofficial dean of U.S. design, includes in his scope "all physical aspects of a corporate identity that have a public relations function." Dave Chapman of Dave Chapman, Inc., Chicago, views his job primarily as being a liaison between management and consumer. A product that comes through a designer's hands must function better. sell for less, and have more visual appeal. Carl W. Sundberg of Detroit's Sundberg-Ferar, Inc., says a designer is both innovator and stylist.

· Sample Jobs-A few instances indicate the kind of tasks designers today may undertake:

Henry Drevfuss of New York and Los Angeles sits down with top management four or five times a year to talk about forward planning for the company. For some clients, he is working on products for use 10 years from now. Teague is shepherding the entire job of laying out the interiors for the U.S. Air Force Academy's new plant in Denver. His firm has responsibility for the expenditure of \$60-million on this project and the specification of some 60,000 types of items, of which many hundreds must be original design.

Peter Muller-Monk, of Peter Muller-Monk Associates, Pittsburgh, has recently undertaken to analyze what products Israel and Turkey can best produce with their raw materials and equipment resources. Since 1956, Russel Waight has been doing a marketing analysis of four Far East countries for the International Cooperation Adminis-

· Clients Return-On the homefront, business keeps rolling in. Some concerns have felt the recession but not drastically. Several say the cutbacks came last year. This year the clients are coming back. All are optimistic about their own situation; they remind you that the Great Depression brought the first crop of industrial designers into bloom. Says Dave Chapman, "We have never been busier. If 1958 keeps up like this, we'll top 1957-a record year."

· Designers' Ideal-Behind the obvious reason-the consumer's and manufacturer's increasing preoccupation with visual appeal (BW-May4'57,p62)-lies a perhaps more basic one. In the day of the specialist, the industrial designer has staked out a broad field for himself. This ideal, says William T. Snaith, managing partner of Raymond Loewy Associates, is the Universal Man of the Renaissance.

This has been true from the start, says Russel Wright of Russel Wright Associates, New York. "Even in the 30s, Da Vinci was our saint. A designer is a planner. It is our basic assumption that we can plan anything."

This bold assumption may not al-

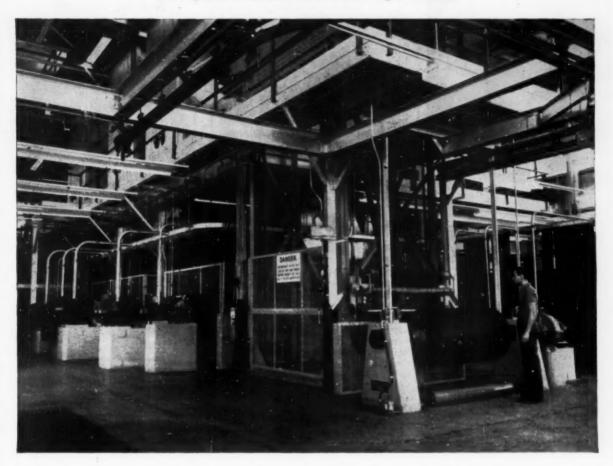
ways prove out. But some of the boldness and breadth rub off on the good designer. Many manufacturers find this breadth the designer's chief asset.

· New Demands-The whole distribution revolution makes new demands on the designer, Snaith says. The supermarket places a heavy selling load on the package. Retailers have lost much of their identity as merchandise lines crisscross (BW-Jun.1'57,p90). Loss of identity brings loss of prestige and selling effectiveness. Meanwhile, manufacturers are pushing harder on product than on distribution to do the selling.

It's a rare manufacturer who doesn't subscribe to the importance of industrial design to his business. But not all manufacturers buy the independent designers' broad claims by any means. Many flatly reject them as arrant and arrogant nonsense. Who is this outsider, who thinks he can do our job better than we can? they demand. Many are developing their own staff designers instead.

· Price of Success-In the midst of all this demand for their services, some designers watch with dismay the turn that the very thing that makes them important to industry-their expertness in change-has taken in the postwar years. Most of them take a dim view of superficial change for selling's sake. They are asking, as Richard S. Latham of the Chicago firm of Latham-Tyler-

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"... design is a sort of specialized branch of mechanical engineering ..."

STORY starts on p. 110

Jensen asked in a recent article in Industrial Design magazine: Is this change

necessary?

Neither do all designers approve the growing scope design is including in its bailiwick. Some design firms are taking on the paraphernalia of big business, complete with sales force, advertising, promotion. And some firms are asking: Which way? Are we specialists and professionals? Or are we to become a one-stop center to guide our clients through all the mazes of his operation?

I. A Diversity of Creatures

Designers mostly agree that their work should pay off in bigger sales, better profits for their clients. Beyond that,

unanimity stops.

There's the designer who designs as he pleases. Charles Eames of Venice, Calif., devisor of the famous Eames chair, heads this list. George Nelson feels the profession is constantly being perverted by manufacturers who want gimmicks.

There's the priesthood—the Chapmans, the Dreyfusses—dedicated to making life better for the masses.

There's the conservative, businesslike organization of a Teague, proud of its record of long-term clients.

There's the businesslike, but hardly conservative, giant, Raymond Loewy Associates, which promotes itself aggressively, and has expanded far into fields once considered beyond the designer's realm.

Lippincott & Margulies, Inc., set up much like an advertising agency with account managers, is deep in market research, especially as it applies to pack-

aging

 Many Schools—Designers each have their own peculiar stress. Dreyfuss leads the utility-efficiency first school. He is the apostle of human engineering. Harper Landell Associates of Philadelphia agrees; appearance is merely a "merchandising plus." Henry C. Keck of Henry Keck Associates, thriving Los Angeles concern, thinks design is a sort of specialized branch of mechanical engineering.

On the other hand, Russel Wright, concerned mainly with consumer product design, finds visual design and styling increasingly important. Sundberg-Ferar says a designer must be a good merchandiser by instinct. Brooks Stevens of Brooks Stevens Associates, Milwaukee, says plainly, "I am interested in ringing the cash register for

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my clients. I am not interested in winning awards from the Museum of Modern Art." Walter Margulies, of Lippincott & Margulies, reports, "Our role used to be to make products better. Now it's to make them sell better."

At the other end of the pole, Charles Eames' firm says, "Designing to sell isn't our dish. Our real aim is to see that the consumer gets the best value the designer can deliver through materials and techniques available. We design things the way we think they should be designed. We are stubbornly uninterested in the new."

II. Basic Techniques

When it comes down to grubbing, most designers proceed much the same way. A composite recording of their stories on how they work would go like this:

First we look at a prospective client's corporate personality, explains Peter Muller-Monk. What does it make? What can it make? What kind of people run the company? (A good product can be all wrong for a particular personality or a particular distribution, Snaith amplifies.) What is their competition? Muller-Monk goes on. Why did they come to us? Do they want a good job?

Then we analyze the product. We talk with users, use it ourselves. (We look for soft spots, Snaith says. Chapman adds, We assume everything is wrong till it's proved right. We saturate ourselves in the way things work and how they are used, Dreyfuss interjects.)

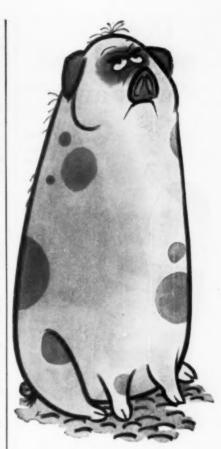
We visit the plant. (This is essential to find out production limitations, Wright explains.)

Then come the sketches, the models, the blueprints, the final model, the final product—a ship's interior, maybe, or a store, or a ball-point pen. At every step, the designer works with his client's engineers, production men, marketing men, sales force.

Usually, clients see a full-blown model. Some designers show several. Teague says proudly, "We show only the one best answer." Teague and Sundberg-Ferar have their own model-building shops.

Typical of the big design office is Teague's, with about 140 on the staff. Its design groups break up into product design, graphic arts, architecture and interiors, and transportation. Raymond Loewy, with about 200 on its staff, also has a retailing department with a special market planning subdivision. But many much smaller concerns offer almost as broad coverage.

• The Great Divide—The procedural point where designers part company is research. Research to a designer means many things; all do some—if it's no



The Case of the Sulky Sow

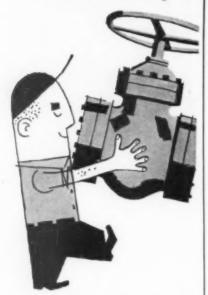
"You can't make a silk purse out of a sow's ear." This old axiom has caused sulkiness and inferiority complexes in pigs for centuries. More important, it has been commonly used as a verbal wet-blanket to quench the enthusiasm of those who aspire to make things better than they were originally. ADL scientists thought it would be poetic justice to disprove the old saying. So they did!

Write for the story "On the Making of Silk Purses from Sows' Ears." It is available on request.



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"... there's many a slip between the form in the designer's mind and the product that turns up on the shelf . . ."

STORY starts on p. 110

more than to investigate the client's competition. For Drevfuss and Chapman, research means study of how a

product will be used.

But on market research as businessmen understand it, designers are divided. Walter Teague has little truck with it. "The only good market research is what happens at the sales counter," he says. Nelson damns it even more heartily. "It is 95% bunk," he says, "a device by which management evades responsibility. managements haven't the guts to make

a decision without it."

Snaith, on the other hand, is all for it. Sure, there's market research available, he says. "We don't duplicate research we can buy. But most research has an advertising target: What can we say about a product? All research for industrial design has to end up in a form. The kind of knowledge we need isn't available." The man who can best ask what shape should a product still unmade take is the man who knows the production facilities, the materials available, the kind of market it sells in. That, says Snaith, is the industrial designer. Snaith won't talk specifics, but Raymond Loewy Associates is probing into reactions to color, words, forms, to get a designer's

Lippincott & Margulies does something the same. It set up a separate Packaging Research Institute about a year ago, which tries to isolate design factors in packaging. Dave Chapman also has his own research organization.

Some designers feel there's a real peril that concern with measurements and statistics will hamstring a designer's creative ability-the asset he is paid for. Mainly it's a matter of responsibility, thinks William Renwick of the young New York firm that carries his name. If there's no one else to see that a job is done right, the designer has to do it. There's many a slip between the form in the designer's mind and the product that turns up on the shelf.

· The Fraternity-What sort of people man the shops that have taken on such

broad jobs?

In the early days, before the country boasted industrial design schools, designers came from anywhere. Loewy was a fashion artist. Dreyfuss and Wright started with Norman Bel Geddes in the theater. Muller-Monk was a silversmith. Teague was an advertising design specialist. Many, such as Nelson and Chapman, have an architect's training.

Today, the design schools supply many of the younger personnel. But designers differ on what they are after. Teague has a group of specialists-or, as Loewy's Snaith puts it, a stable of stars. Drevfuss likes to move his men around. He aims to hire "geniuses" no matter what field they come from. His staff includes a Prix de Rome sculptor and an M.D. as consultant on human engineering. King-Casev, Inc., of New York, uses a professional psychologist as a consultant. Draftsmen, mechanical engineers, graphic arts specialists, interior decorators, model makers-anvone may turn up in a design office.

• Fancy Fees-Manufacturers can pay "a pretty fancy price" for these collective skills, one designer admits. None will talk specifics. A common arrangement is for a client to pay a retainer fee, plus the cost of the time spent on a job. Designers often multiply their pay scale by three to include the cost of overhead. One adds a 115% charge to the actual time. The retainer fee, in his case, runs anywhere from 25% to 40% of anticipated costs.

A spot job may cost as little as \$10,000 to \$20,000, adds another designer. But spot jobs aren't too common. "Our biggest fee ran some \$480,000 over a period of years," the same designer adds. Especially on consumer lines, clients may pay a retainer against royalties on sales of the prod-

Designers say their fees are not high when you consider the extent of the services. They may even cost less than it a client did all these jobs himself, they say.

III. Necessary Change?

Industry in the postwar years has geared itself more and more to a policy of planned annual changes, or planned obsolescence to move goods in a saturated market. As purveyors of change, designers get heavily involved. As Russel Wright puts it, "We are masters of obsolescence.

But industry and some designers are running a heavy feud on the subject today. As long as planned obsolescence brings real product improvement, any designer will go along. But many take a dim view of what they call artificial or phony obsolescence-gimmicks and superficial changes that may cost a manufacturer a mint in retooling, but that add no real value to the product.

· Finger on Detroit-Chapman, Drevfuss, and Teague are spearheading a

Right off the Wire

Power for earth satellites could be supplied by a new chemical battery that uses a dye to convert sunlight into electricity.

8

A new bearing metal of tin and aluminum is said to combine the bearing qualities of one with the light weight of the other.

3

Negatively ionized air is being used as a painkiller for patients with severe burns. After two exposures of twenty minutes each no narcotics are needed.

63

Users of High Voltage cables should note that high molecular weight polyethylene can be expected to have a voltage life about seven times that of standard polyethylene. (From paper on Dielectric Strength and Voltage Life of Polyethylene, presented at AIEE Winter General Meeting, February 1958, by Messrs. Hunt, Ware and Koulopoulos of Simplex.)

63

A new, automatic door opener is installed overhead, like a door check, and requires no complex, under-floor wiring. It can be installed in a few hours.

63

In a new cook stove the heat is generated in the utensil by putting it in a magnetic field. No heat is wasted and spilled food does not burn. It is said to be faster than ordinary electric stoves.

83

The "cage zone" melting system has proved successful in purifying niobium. Under high vacuum the metal is melted by high frequency current and the impurities separate to be cut off later.

63

A vinyl lining material for swimming pools of masonry or wood is in the form of sheeting with an adhesive back that sticks to the sides and assures complete waterproofing. To meet the growing demand for power by industry, Simplex has installed new equipment that allows cable cores of greatly increased diameters to be armored with CONDEX, the interlocking armor tape made by Simplex since 1924.

8

Printed pages can actually be made to talk by means of a Japanese invention. The back of the paper is treated like magnetic tape and produces recorded sounds when a reproducing head is passed over the printed words.

8

Further information on these news items and on Simplex cable is available from any Simplex office. Please be specific in your requests.

8

A new, thirty-nine-passenger bus for intercity service is claimed to have many advantages. It has a flat floor (no step-up to seats), a "recreation area," lavatory, reclining seats and air suspension.

63

The size of electrical components may be further reduced by a process for putting tiny germanium transistors into printed circuits.

83

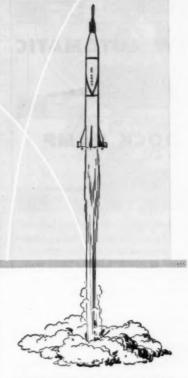
Buildings are being erected with the use of balloons instead of derricks.

8

A method of projecting color pictures on a screen from black and white slides has been discovered.

8

An acknowledged leader of the cable industry in research and manufacturing skills, Simplex scientists and engineers present technical papers on a variety of subjects of interest to users of insulated cables. A list of papers read before the AIEE and other associations will be sent on request.



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"... one reason for today's flabby auto market is that car makers have underestimated public taste..."

STORY starts on p. 110

war on phony obsolescence. It tends to nullify their prime goals, they insist, on three counts: It often results in poor design—and visual good design is one of their concerns. It adds nothing of permanent value—another prerequisite of design. And it violates their third cardinal principle: Industrial design should reduce costs.

Phony obsolescence is a drag on the economy, they argue. It keeps consumers confused, prices up. There's no need for it, Dreyfuss insists. Technology brings obsolescence fast enough.

Since Detroit has capitalized on the yearly model change most fully, they point their fingers at the car makers. "Detroit is beyond the pale," they say. · Charges-Some of their distaste stems from their concern not only with design but good design in the sense of aesthetic appeal. Designers have taken on themselves something of the role of arbiters of taste. Perhaps if Detroit could measurably improve the looks of cars every year, the designer would not speak so harshly. Designers don't like the look of the big, flashy Detroit product, and they don't think the public likes it either. Teague has a strong conviction that one reason for today's flabby auto market is that car makers have underestimated public taste.

They have sharp words, though, not only for Detroit styling but for more basic points. Cars are too big for this crowded world, they say. They are hard to manage. They are built so that taking a dent out of a fender takes an unreasonable dent out of the owner's purse.

• Detroit's Defense—Detroit has faced this barrage before. It has its answers. What designers dismiss as styling, the car makers say, is in fact merchandising. Consumers can't see the improvements under the hood. Appearance is the only way to tell a buyer, this car is brand new. The styling aims to express in looks what the car is—which is an acceptable definition of design.

On the charge of economic waste, Detroit rests its case on the used car market. How else than by yearly changes can you give the lower-income buyer a product that still has value, and at the same time give the new car buyer a reason for buying? This setup keeps the long assembly lines moving.

Till now, Detroit could cite another manswerable argument: its sales record. This year, it's not so easy.

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SPECIALISTS

car owes some of its popularity to its relative scarcity. Several designers report a stronger urge to be different, a hint that the consumer is reacting against the output of mass production. With abundance comes the desire for differentiation, says Walter Margulies. Russel Wright thinks it explains the thirst for imported goods of all sorts (BW-Nov.16'57,p114) and the rocketing sales of antiques.

But the foreign car has other assets than differentness. It's cheap; it's easy to handle. It does a job. When the purse gets lighter, these things count for more. Most designers feel Detroit is paving for misunderstanding the market today

· On the Wane-Drevfuss and Muller-Monk both hopefully see some signs that phony obsolescence is waning.

So far, it shows only faintly. Competition, and the dealer and distributor's perpetual clamor for something new

keep obsolescence strong.

A few appliance makers express fears that the annual model change in their field may have been overworked. Most simply say, not guilty. They admit they have taken a cue from Detroit, but, in the words of a Westinghouse official, "We'll never get on the Detroit merry-go-round." Their obsolescence, in short, is genuine. "We have too heavy an investment in machinery to waste time fooling," says a spokesman of General Electric Co.'s Appliance & Television Receiver Div. "Consumers see through any souped-up gimmickry," another manufacturer adds.

A big truck and tractor maker is approaching planned obsolescence, al-though he doesn't believe in it. "We used to restyle our trucks every three years," it reports. "Now we have a major face-lift every other year. Our tractor models used to stay the same for five or 10 years; now it's about three. Retooling for tractors costs around \$8-million to \$10-million; for trucks,

it's much more.

Manufacturers argue, as Detroit argues, that change keeps the market coming. "Is it better to have a dull market?" asks a Westinghouse official. · Spur to Improvement-Planned obsolescence has this plus, thinks Arthur N. BecVar, chief designer for GE major appliances. It spurs technological improvement. Actually, he adds, it stirs up only about a third of the market. About a third comes from owners whose appliances have worn out; about a third from new families.

Even some designers who decry artificial obsolescence think it has been overstressed as an economic evil. "Europe is horrified," says Chapman, "but Europe doesn't understand that we produce in one year the goods they produce in 10."

'What's so sacred about goods?"

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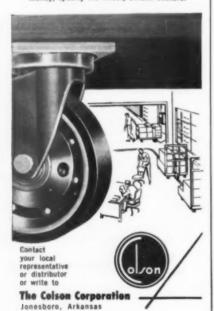
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Snaith wants to know. "The 'sin' of obsolescence dates back to days when goods were at a premium." Margulies adds, "Change fills a basic human need." Brooks Stevens frankly talks it up. His clients find it sells.

In plenty of production, planned obsolescense plays little part: in heavy industrial equipment (which is why Dreyfuss prefers industrial to consumer

product design); in technological fields where research brings obsolescence fast; even in some consumer lines. Thus, says Ekco Products Co., our sales figures are the signal for change in our

flatware.

In one way, says George Nelson, there's too little obsolescence, not too much. Big manufacturers will leap at gimmicks and small changes. Often, he thinks, they are too timid to make real innovations.

IV. Unanswered Questions

Practically any manufacturer admits that the role of the designer is growing -and growing fast. "It can give industry leadership," Crane Co. thinks. "Design would be the last thing we would cut off in a recession," says an Atlanta company. In recognition, companies are moving designers steadily up the man-agement echelon. Thus BecVar reports direct to Charles K. Rieger, head of GE Appliance & Television Receiver Div. Teague and others can roll down a list of clients they have had for years, even decades.

Yet there are still some hitches to a

perfect marriage.

· Credit Lines-Some companies feel (and some designers agree) that designers take far more credit for the final product than they deserve. "The industrial designer needs a spanking," a big

brewer sums up tersely.

Some manufacturers appear to feel some jealousy of the designer's work. Some, it's true, feature the designer's name in their advertising-and this trend is increasing, Chapman says. Others tend to play down the designer. "We make our own decisions," they say. Or they refer perfunctorily to "a designer in New York" whom they hire for special projects.

One reason is that men trained in design are far more available than they were 20 or even 10 years ago. Manufacturers often find it cheaper to have their own design staff. Many feel that the staff designer understands their problems as the outsider never can. "They don't know anything." one company comments. "We have to lead them by the hand."

Precisely, says Muller-Monk, "Our naivete is our great asset. We ask: Does the button have to go there?" Furthermore, adds Teague, we can say no. That's why he likes his setup with

Boeing in Seattle, where he keeps a staff, but on his own payroll.

Companies that use independent designers are enthusiastic for two reasons: their fresh approach and the breadth of contacts of the independent. More and more the trend seems to be to use both independents and insiders. Several companies use their own designers to meet day to day problems, call on outsiders for a major job.

• Independents' Role—Some compan-

ies prefer to leave the whole job to an independent. Crane Co. has used Dreyfuss as its entire department for years; Square D feels it does better with

Occasionally a designer views the trend to staff design as a threat to his own business. Others report it often makes their job easier. Teague, who has had Eastman Kodak as a client for 30 years, suggested some years ago that it set up its own department, with Teague as consultant.

• Complications—There are forces that make the designer's job harder today. In the 30s, everything needed design: today, almost every product has it. Some people ask: Has the designer had

it? What more can he do?

Designers have two answers. One is that technology brings new design requirements every day. Snaith sums up the other: "Our prerogative is the shape of the bottle. We'll keep that prerogative because our consumer market has one magnificent asset: It changes."

MARKETING BRIEFS

Four big supermarket chains in Detroit have agreed to close their stores on Sunday, yielding to church groups, and ending a bitter four-year controversy. Some 200 stores of Food Fair, Wrigley's, Kroger, and National Food chains are affected. The chains took voluntary action even though a bill to outlaw Sunday openings failed to gain sup-

Edward J. DeGray is the new head of American Broadcasting Co.'s radio network, following the resignation of Robert E. Eastman. Eastman resigned after ABC made drastic cuts in its radio network program schedule in order to reduce costs (BW-Mar.29'58,p96).

W. T. Grant Co., department store chain, showed a 6.7% sales gain for the fiscal year ended January, 1958, over the year before. At the same time, net profits also were up slightly. Chmn. William T. Grant reports the sales increase was due entirely to new and enlarged stores opened in 1956 and 1957.

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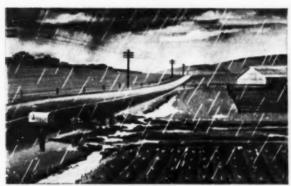
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Problem: How to channel the flow of water in this shallow, meandering farm creek. Effective drainage space under the road is limited because of the creek's shallow, sloping banks. In a stream like this, standard round pipe would take up too much room.



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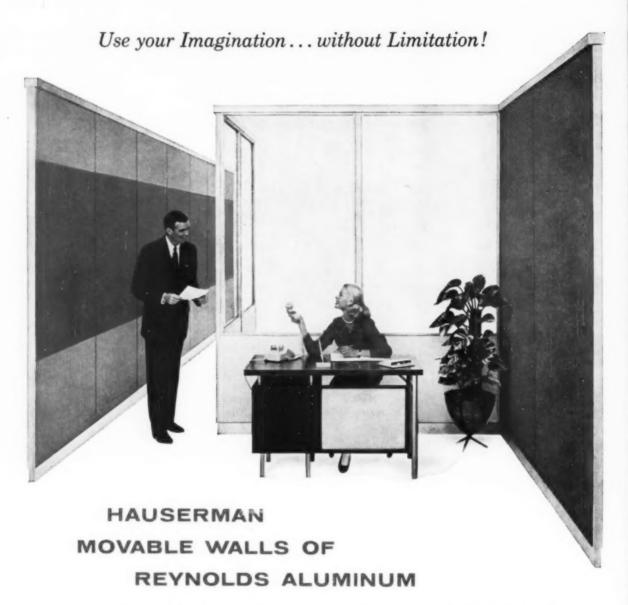
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INTERNATIONAL OUTLOOK

BUSINESS WEEK APR. 12, 1958



Washington has hardened its policy on H-bomb tests. Pres. Eisenhower made that plain in writing this week to Soviet Premier Khrushchev.

The U.S. will go right ahead with the May-August test series—regard-less of the propaganda gains Moscow has won by its temporary suspension of tests. (These gains, incidentally, haven't been so great as they looked last week.) And Washington will not tie its hands on further tests in the future unless Moscow agrees to a ban on nuclear production.

In making his decision, Eisenhower had the backing of Secy. of State Dulles, the Joint Chiefs, the Atomic Energy Commission, and Presidential adviser James R. Killian. The President also has the support of the London, Bonn, and Paris governments.

Washington won't simply stand pat on arms control. U.S. officials are working on proposals that might put Moscow on the spot.

One idea is to create an international control agency to guarantee that only "clean" bombs are tested in the future. Another idea is for an international space exploration project—such as a joint effort to reach the moon. The latter would fit with Eisenhower's earlier proposal for the peaceful use of outer space.

Pres. Nasser of the United Arab Republic will get a royal welcome when he visits Moscow later this month. The Russians are preparing the visit as if Egypt already were the center of an Arab empire.

The Soviet Minister of Culture, Nikolai Mikhailov, has been in Cairo discussing Nasser's tour. To sweeten it up, Moscow has just sent Cairo three things—the Bolshoi Theatre Ballet, Soviet administrators for 15 vocational training schools, and several submarines. (Apparently the Russians also are building Nasser a submarine base in Yemen, almost next door to the British naval base at Aden.)

Washington will keep a wary eye on Nasser's Soviet visit. It is bound to provide some clues to his future course.

Recently, some U.S. officials felt that the U.S. should soften its policy toward Nasser. The World Bank offer to help Cairo enlarge the Suez Canal looks like a trial balloon. There even has been some hope that Nasser might come to terms with the old Suez Canal Co. on compensation.

But if Moscow lures Nasser farther into the Soviet camp, Washington will kiss goodbye to such hopes.

American observers in Tokyo take a dim view of current developments in the Far East. Here's what worries them:

- The way Indonesia is drifting into the Soviet bloc. Pres. Soekarno now is dependent not only on local Communist support but on Soviet arms. It's only a short step from that to complete dependence on Moscow.
- Indonesia's propaganda attacks on the Philippine government. Djakarta accuses Manila of aiding the Sumatran rebels. Next Soekarno may try to stir up trouble among the Moslems of the South Philippines, who have ethnic ties with the Indonesians.
 - · The growing strength of Japan's Socialist Party-a group that wants

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK APR. 12, 1958 to play Russia and the U.S. off against each other. If there's an early election in Japan, the Socialists may be able to cut into Premier Kishi's majority.

Open-handed Communist support for Soekarno is putting the State Dept. in a fix. The Djakarta government admits sizable arms purchases from Eastern Europe. It says it also wants U.S. arms. But the State Dept.—toeing the line of nonintervention—says the U.S. won't ship arms, either to Djakarta or to the Sumatran rebels.

Indonesia's Communist Party is pressuring Soekarno to break off trade relations with the West. This may be a prelude to major proposals on trade from Moscow and Peking that could tie Indonesia closer to the Communists.

Meanwhile, the civil war is creating other diplomatic headaches. Rebel Premier Sjafruddin has demanded recognition and arms aid from the South East Asia Treaty Organization. At the same time, Soekarno is demanding that Singapore blockade the Sumatran rebels.

Both Washington and Moscow are wooing Argentina's new government. Vice-Pres. Nixon announced he will attend the May 1 inauguration of Pres. Arturo Frondizi. Now the Soviet Union is planning to send M. P. Tarasov, vice-president of the Supreme Soviet, to try to offset Nixon's impact.

Frondizi's political game at home is still unclear. He is clipping the power of the armed forces. But he's playing up to the followers of ex-Dictator Peron, who backed him in the recent general elections.

Washington doubts that Britain will make any early move to unify the transferable and official rates for sterling—a step London bankers have been talking about (BW—Apr.5'58,p112). As U. S. officials see things, British gold and dollar reserves still are too low for such a risky undertaking. New bear raids on sterling can't be ruled out, they say, especially when the Labor Party seems likely to come to power next year. There's also a feeling that the uncertain U. S. economic outlook will restrain London.

Note, though, that supporters of a move toward full convertibility argue that a single rate for sterling would strengthen London's reserves, make new bear raids less likely. They say the time to jump is now—to take advantage of the winter upswing in reserves.

The crucial battle over renewing the Reciprocal Trade Agreements Act begins next week. The House Ways & Means Committee will start drafting the extension bill—the one that goes to the House floor.

Odds are heavily against Congress' approving the five-year renewal backed by the Administration that would continue the President's power to negotiate reciprocal tariffs at his own discretion. The powerful protectionist bloc favors giving Congress a bigger voice in trade policy.

The outcome partly hinges on the House Rules Committee. It could make the bill subject to amendment on the House floor. Or it could force the House to accept or kill it as drafted by the Ways & Means Committee.

The Administration has indicated it would accept some compromise restrictions—even specific commodity import quotas—to get the bill passed.

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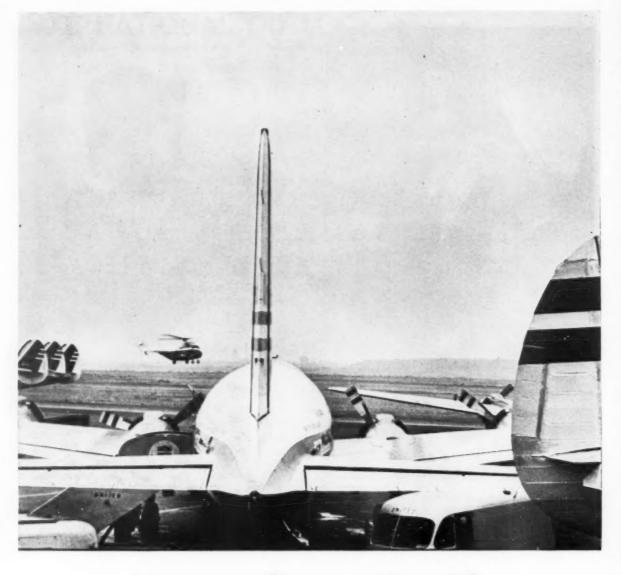
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The Key Issue in Auto Talks

 Contract length, although overshadowed by other issues now, may prove to be the basis of resolving differences as bargaining between the Big Three and UAW proceeds.

That's because the economic climate favors management, and Reuther may be forced to yield ground. If so, he will want a return match as soon as possible.

But the auto companies apparently are agreed that a "stabilizing" long-term contract is in order this year.

Whether there is labor peace or war in the auto industry this year may depend on the United Auto Workers and Big Three companies reaching an agreement on how long a new contract will run. This is a basic issue in the negotiations now under way-although it is overshadowed by others, like profit sharing, at the moment.

Bargaining for substantial gains in a bad year, UAW is conscious that good strategy may dictate a gradual easing up on demands in the May give-and-take negotiations. But, to do this, it must insist on a one-year contract or one with frequent wage reopeners.

· Big Three's Advantage-The Big Three, on the other hand, are bargaining in strength this year. Car inventories are more than enough for two months' sales, or for as long a strike as UAW could probably afford. This makes possible a tough stand against the union, without the fear of a break in sales. Under such an advantage, the Big Three want another "stabilizing" long-term contract, with no reopenings.

Thus, the issue is drawn. Until and unless the parties can agree on the length of a contract-more specifically, on how long UAW will be shut off from further bargaining-final decisions cannot be reached on such other questions as:

· How much of a wage increase should be given on the basis of productivity advances? The union wants a percentage based on productivity attainable "under conditions of full employment and full production," and cites a Bureau of Labor Statistics estimate of a 3.9% annual gain (averaged from 1948 to 1957) as a starting point for bargaining. General Motors contends that even the present 2.5% rate recognized in auto contracts is too high; in the last two years, it says, the increase in output per manhour has been below 2%, and from 1909 to 1957 it averaged out at

2.1%. But, GM has offered to continue the 2,5% or 6¢ an hour annual raise.

• Should the Big Three share "excess profits"-those above a 10% return on net capital-with nonexecutive personnel, and how should it be done? This unconventional profit-sharing demand is, so far, the most controversial of 1958 bargaining. UAW Pres. Walter Reuther insists that the union is "dead serious" on this; profit-sharing is "a very real demand," not just a proposal tossed in for trading purposes.

· And should the companies, concerned about holding down costs, undertake to boost and liberalize pensions, increase the private supplementation of unemployment compensation, liberalize insurance programs, provide severance pay or other help for displaced workers, and otherwise add to already expensive fringes?

 Some Leeway—Up to a point, UAW can come down from demands estimated to cost 35¢ to 40¢ an hour if granted-not counting in the profitsharing plan. Even union insiders acknowledge that there is a certain amount of "give" in what is now on GM, Ford,

and Chrysler bargaining tables.
Up to midweek, only GM of the Big Three had made a public offer to UAW. It proposed in August, 1957, and again in January to renew its terminating three-year contract "with its wage formula for a period of two years beyond May 29, 1958." This would mean an increase in pay of 6¢ an hour or 2½% this year and in May, 1959, or a total of "at least 12¢ an hour over the two-year period," GM pointed out. The "buying power of an hour's work would continue to be protected under the costof-living . . . formula" now in the GM contract.

· Firm Stand-There's a big question of how far beyond this minimum offer the Big Three will be willing to go this vear. Certainly, from the uniformity of start-of-bargaining statements, a firm agreement-formal or not-seems to exist that 1958 is the year to hold the line against new "inflationary" concessions.

If auto negotiations end peacefully, most of the "give" will have to come from the UAW position. That's why the contract term becomes extremely

• Change in Position—The original long-term contract between UAW and the Big Three-for five years, from 1950 to 1955-was signed with some reluctance on the part of the union. At its termination, UAW Pres. Walter Reuther led the union in a fight for a shorter contract—no more than two vears, which he said was "sufficiently long" for a labor agreement even if it has deferred raise provisions and a costof-living escalator.

In the 1955 bargaining, UAW gave ground on the contract term-to settle for three years-when it won SUB concessions that could be presented to the rank-and-file as an important first step toward a full guaranteed annual wage plan. But, the union's discontent with being "frozen" into a pattern of economic gains over an extended period continued to show up between 1955 and 1958.

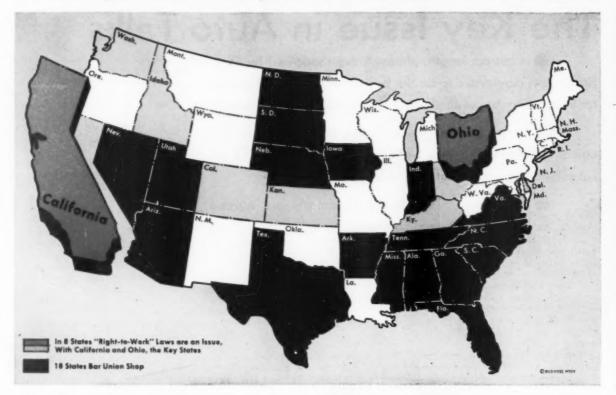
Early this year, Reuther asked for a 14-month contract in the current round of bargaining. This term would serve a double purpose for the union: It would give UAW an opportunity to give ground on basic demands this year but press for them again in 1959, presumably under better economic conditions. Also, it would time the next bargaining to coincide with the industry's model changeovers.

· Quid Pro Quo-Before UAW goes beyond this 14-month term, it will insist-as it did in 1955-on a quid pro quo from the Big Three. This could be an increase in the annual productivity raise figure (UAW wanted 7¢ or 8¢ an hour in bargaining three years ago but settled for 6¢), a "profit-sharing" modification of the stock purchase plan offered UAW by Ford and GM in 1955 and turned down in its original formor something entirely different, as SUB was three years ago.

The cost to management for a pact extending beyond two years would mount. However, there's talk in Detroit of the possibility of another long-term agreement that would be closed to further negotiations on "fringe" issues after revisions this year, but that would allow limited reopenings on wages and, perhaps, the still-alive issue of a shorter

work week. END

Where Right-to-Work Proposals Are an Issue This Year



Attack on Union Shop Resumes

Employer groups and unions have been heading for a showdown on compulsory unionism since late last year. The map above shows where the battles will be fought—in the eight states where right-to-work proposals are coming up for vote. Employer groups, such as the National Assn. of Manufacturers, had hoped to get national action banning the union shop. But Congress is in no mood to touch the issue in election year. And so the state contests will be decisive.

Two of the contests will be fought in industrial states, Ohio and California. The outcome in either of these clashes could be of far-reaching importance. Of the 18 states that now have right-to-work laws, only one-Indiana-is an important industrial state. · New Factors-AFL-CIO admittedly is concerned over this year's right-towork struggle. The revelations of the Senate committee probing union racketeering and corruption have created a widespread public reaction against labor. Unions are being blamed for high production costs-and record prices. And as the recession deepens, job worries are building up a stronger resistance to union ties among the unorganized. The federation, which is trying to raise a \$500,000 "defense fund" against right-to-work drives, fears a combination of these factors will work against it.

 Test States—In addition to Ohio and California, the states in which rightto-work campaigns are looming include:

 Colorado, where the issue has been defeated in the legislature. Backers are pushing a referendum.

 Delaware and Kentucky, where right-to-work is a hot issue in current legislative sessions. Gov. A. B. (Happy) Chandler of Kentucky is pledged to veto right-to-work legislation. In Delaware, the outcome is uncertain.

 Idaho, where 23,000 signatures are needed to place a right-to-work measure on the ballot. The Idaho legislature has rejected similar legislation in the past.

• Kansas, where the legislature bypassed Democratic Gov. George Docking's veto and passed a resolution to put right-to-work on the ballot this fall as a referendum.

 Washington, where 90,319 signatures are required to get the question on the ballot. A right-to-work proposal was defeated in 1956.

Right-to-work advocates are at work in Maine, but find little interest and expect nothing to happen this year, and in Oregon, where they may get a campaign going this year.

Although AFL-CIO unions are pushing repeal campaigns in Nevada and Indiana, changes aren't likely in the states where right-to-work is on the law books.

• Ohio Referendum—An initial 3,400 petitions are circulating in Ohio in an effort to get 354,210 valid signatures by Aug. 6, the deadline for placing a right-to-work measure on the ballot. Most labor leaders here are reconciled to a successful petition campaign. "It'll get on all right," says one union spokesman. He added, "We have only a dim chance of beating it. We'll get murdered in the downstate rural areas."

But opponents of the union shop ban were given a substantial boost recently when the resident Catholic bishops of the state—a diocese with 1.8-million Catholics—came out flatly against the Ohio right-to-work proposal.

Both sides are preparing for a hot contest after the measure gets on the ballot. "We're just beginning to get off the ground," says Theodore Gray, Sr., director of Ohioans for Right-to-Work, Inc. The committee has circu-

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lated Ohio employers, explaining its program and suggesting an employer contribution of \$1 per employee.

The Ohio Chamber of Commerce is backing the right-to-work committee's efforts. But not all city chambers are backing the amendment. Many big businesses in the state don't want to get involved, sav observers.

Still-unmerged AFL and CIO state bodies, railroad brotherhoods, and the United Mine Workers recently formed a state-wide labor committee to fight the right-to-work proposal. A \$1 contribution per member is being sought by some unions.

The union's efforts to get members to register has had its effect on the politicians. Gov. C. William O'Neill, seeking a second term on the Republican ticket, has been non-committal on the issue. Most of the Democratic hopefuls have come out against the proposal. · California GOP Divided-The right-

to-work struggle is tied into California's 1958 political contests. A third of the 322,429 valid signatures needed to place the issue on the ballot have been collected and the deadline for a November referendum is still more than two months off. Sponsors are aiming for 500,000 signatures as a safety margin. Democratic candidates are generally lined up against the right-to-work measure, but California Republicans are split on the issue.

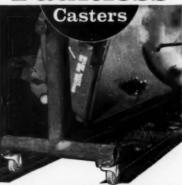
U.S. Sen. William F. Knowland as Republican candidate for governor is campaigning for right-to-work and his own "bill of rights" for union members. His campaign is separate from the rightto-work drive as such. Republican Gov. Goodwin J. Knight, who is campaigning for the U.S. Senate, is on record against legislation abolishing the union shop. Republican candidate for Lieutenant Governor, Harold J. Powers, has come out against the proposed right-towork law. A California Young Republicans convention recently endorsed Sen. Knowland's bill of rights, but did not mention the right-to-work proposal.

Vice-Pres. Richard Nixon, back home to straighten out the tangled skeins of party politics, said the union shop allowed by Taft-Hartley has proved "effective." But, Nixon added, each state has the right to make its own choice in the matter.

After early attempts to obtain rightto-work curbs failed, California proponents sought local and county laws to bar the union shop.

Some have failed to stand up under court tests. Recently, however, the California District Court of Appeals upheld the legality of one-Trinity County's ban on compulsory union membership and organizational picketing. A union challenge may bring the case before the state Supreme Court. But the lack of uniform success at the NOELTING

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1000 Prospect Avenue, Dept. D Shelbyville, Indiana county-local level has built up pressure for state regulation.

The Citizens Committee for Voluntary Unionism is optimistic about the success of its right-to-work proposal. It has the backing of the Associated Farmers of California and California Farm Bureau Federation.

On the other side, a few Catholic clergymen have raised their voices against right-to-work. Unions have done, and plan to continue, an aggressive job of voter registration, in their own halls and at places of employment where county laws make that possible. The state AFL is asking each member

-some 1.3-million in the state-to contribute \$1 to fight right-to-work.

• White Collar Appeal—In addition to raising funds nationally to combat union shop curbs, the AFL-CIO has set up a three-man subcommittee on right-toworks laws, consisting of Pres. Joseph Beirne of the Communications Workers, Pres. A. J. Haves of the Machinists, and Pres. James Suffridge of the Retail Clerks.

Significantly, two of these represent basically white-collar unions. This reflects the federation's fear that rightto-work has most appeal for white collar workers.

At CBS, the Show Goes On

The TV cameras at Columbia Broadcasting System are manned by specially trained brass, as technicians walkout in protest over contract terms.

"We're honored tonight—we have CBS vice-presidents manning our cameras," quipped Hal March, host and quizmaster, on the Tuesday night television show, The \$64,000 Question. A half-hour later he signed off with a comment, "Join us again next week—if we're around."

The remarks were oblique references to the television industry's first major strike—a seven-city, 1,300-man walkout of technicians against the Columbia Broadcasting System's radio and television operations. CBS struggled successfully to avoid the nightmare of broadcasters—dead air time—by using executives specially trained last fall to handle technical jobs in an emergency.

Training Pays Off—The training given in a three-week converse raid off on

given in a three-week course paid off on Monday when cameramen, TV engineers and maintenance men, and other vital behind-scenes technicians walked out in a strike over contract terms.

Almost 300 CBS executives and supervisors took over at cameras, booms, projectors, controls, and other operations in company-owned and operated radio and TV stations in New York, Chicago, San Francisco, Los Angeles-Hollywood, Boston, Milwaukee, and Hartford. There were a few mishaps and fluffs, and some cancellations of "live" shows, but CBS operated on a near-normal basis—apparently suffering only on some of its more complicated productions.

The results were better than CBS or the striking International Brotherhood of Electrical Workers had expected—in the words of the trade publication Variety, operations "not thoroughly professional [but] enough to keep the web on the air . . . and forestall any crippling commercial cancellations."

· Strike Issues-The walkout on Mon-

day brought to a climax months of bargaining between CBS and IBEW on contract terms. A labor agreement covering the technicians expired in January but was extended day-to-day in negotiations in Washington until the deadline last weekend.

According to the union, the major issues behind the walkout were a pay increase, job security, improved working conditions, and safeguards for present job jurisdictions of IBEW in CBS' operations.

At midweek, two of the four appeared to be the real stumbling blocks in the way of a settlement—pay and job guarantees.

William C. Fipps, Jr., CBS vicepresident in charge of labor relations, said the network offered the technicians a 7½% pay increase over a 2½-year period, to raise the base rate to \$185 a week after three years of service. With the increase, Fipps said, the technicians would average more than \$10,000 a year, including overtime.

IBEW turned down the increase and called Fipps' figures "a little high." Because of the strikers' pay levels, union spokesmen were more inclined to talk about other issues than about money. They said the real issue was "job security"—particularly "adequate protection" against the industry's growing use of magnetic tape video recordings.

 NBC and ABC Wary-CBS is the only network with an IBEW contract. The National Assn. of Broadcast Engineers & Technicians has agreements covering National Broadcasting Co. and American Broadcasting Co. operations. NABET contracts are under negotiation.

The networks are keeping wary eyes on NABET-and on developments in the CBS-IBEW strike. END

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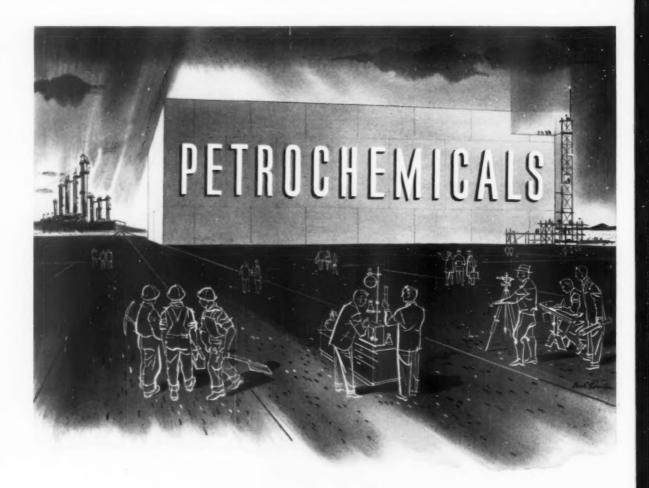
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What it takes to build a new word

If your dictionary isn't the latest copy, chances are you won't find the word "Petrochemical" in it. It only got into the book a year or so ago. But a lot of time, thought and work went into its building. For many years scientists, designers and engineers in the petroleum industry have been developing the techniques for producing these important byproducts that today make this word a most important one in our economy. For instance, here at UOP our research and engineering staff have been working for years, actively developing processes which yield valuable petrochemicals from

petroleum raw materials and refinery by-products. Today UOP makes available to all refiners a number of petrochemical processes. These provide chemicals for the synthetics which have become part of our daily lives through their application to so many products now essential to our standard of living. Too, they help improve the economic efficiency of petroleum refining. UOP will be glad to supply, without obligation, individual recommendations for the practical application of its various petrochemical processes to any refining operation, anywhere in the free world.



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In Labor

Clause Forcing Nonunion Workers To Pay Union "Fee" May Face Test

"Agency shop" contracts that require nonunion employees to pay a union for representing them are winning increasing acceptance these days, particularly in states with laws against compulsory unionism (page 130).

But, they may face a court challenge.

The Corn Products Refining Co. and the Oil, Chemical & Atomic Workers recently signed an "agency shop" agreement, covering plants in Illinois and Missouri (BW–Mar.22'58,p94). A few days later, the Miami Beach Hotel Assn. and the Hotel & Restaurant Employees signed a similar contract.

Other employers and unions have done so with less publicity. An estimated 1% of all negotiated union contracts in this country now have "agency shop" clauses.

These bypass company objections against compelling employees to join a union and—so far—have been considered legal even in the states with "right-to-work" laws. Where adopted, as in Corn Products' three plants, nonunion workers accepted—with some grumbling—the requirement to pay the union a sum equal to its monthly dues for "services" in their behalf. Of 500 affected at Corn Products, nobody quit in protest.

But many employers are beginning to show concern over the use of the clause to "circumvent" principles and laws against the union shop. Last week, Asst. U.S. Atty. John J. Quan in Chicago gave them food for thought.

Quan said he considered the Corn Products' "agency shop" agreement unlawful under the Taft-Hartley Act, and asked the Justice Dept. for an opinion on what action—if any—he should take.

Quan said that he had found nothing to indicate that the company or union engaged in a willful attempt to violate the T-H law's "protection" for nonunion workers. The company's attorneys said the National Labor Relations Board has upheld the legality of the "agency shop,"

Evinrude Grants "Floating" Holiday— Lends Motors to Help Workers Enjoy It

Employees of Outboard Marine Corp.'s Evinrude Motors Div. in Milwaukee last week won a "floating" holiday in a new agreement with the United Steelworkers—and they can borrow an outboard motor from the company to help them enjoy it.

USW and the company added an eighth paid holiday a year in a new one-year contract. Called "Evinrude Boating Day," it will be on July 7 this year—to give workers a four-day Fourth of July weekend. The date will be renegotiated every year, to lengthen a holiday weekend during the summer.

Evinrude will lend employees outboard motors, with-

out charge, from a pool of 500 maintained for their use during weekends and on holidays.

The new contract also gives 1,600 workers at two plants a 13¢ pay and fringe package. The company agreed to boost hospitalization benefits and payments for retired workers.

Workers Vote for 5-Day Week Even If It Means a 20% Layoff

Production must be cut to bring inventories into line—should we do it by going on a four-day week or by laying off 600 to 800 workers? Westinghouse Electric Corp. asked employees that question at its Colum-

bus (Ohio) plant two weeks ago.

It got its answer last week, through the plant local of the International Union of Electrical Workers. According to IUE, 1,620 of Westinghouse's 4,000 employees cast ballots in a three-day vote on the alternatives. A "majority" expressed a preference for holding on to the five-day week, even if it would mean furloughing 15% to 20% of the plant work force, the union reported. Westinghouse agreed to meet with IUE officials late this week to work out details of the cutback.

UPW Ends Strike at Campbell Soup As Workers Accept 8¢ Raise

A United Packinghouse Workers strike against the Campbell Soup Co. ended this week after strikers voted by secret ballot to accept a company offer of an 8¢-anhour raise.

The settlement terms also included a \$30 cash payment to those returning to work to "take care of the emergency needs of employees until they receive their

first paycheck."

The strikers rejected the same company terms a week ago, by voice vote at a union meeting. UPW Pres. Ralph Helstein intervened, called on the local officers to submit the offer to members through a secret ballot. When they did, the unionists approved a proposal to accept the offer by a reported 5-to-1 margin.

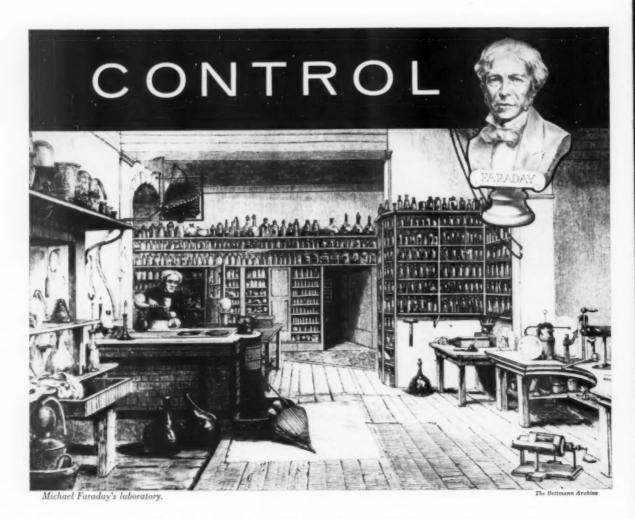
The strike started Mar. 6 when the parties deadlocked

on a union demand for a 15¢ raise.

Construction Pay Boosts of 17.8¢ Pace Raises in First Three Months

Wage increases in the construction industry paced the upward pay movement during the first three months of the year—about doubling raises for industry generally.

According to the Bureau of National Affairs, "a continuing trend toward higher wages and fatter fringes" showed up in construction settlements. The average pay hike for the quarter was 17.8¢ an hour, as compared with 16.1¢ during all of 1957.



"I think I have got hold of a good thing"

These were Michael Faraday's words just before he succeeded in producing the first electric current ever generated by what's known today as a dynamo. This 1831 discovery is rated historically as "the birth of the electric age", and it's upon Faraday's foundations that Edison and Steinmetz built their wizardy.

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Taylor Instruments

The Caution Flags Are Flying

• Investment managers specializing in individual portfolios are making "safety first" their motto.

In the choice between protecting capital and making it grow, most of them are choosing protection.

Bonds are a popular haven during the decline in stocks. But equities are far from abandoned, and many managers are on the prowl for special stock situations.

"You can't always expect to make profits out of your investments. Sometimes the best you can hope for is to keep your investment fund from showing a loss. This is one of those times."

That's the advice one of the country's most prominent managers of individual investment portfolios was giving his customers this week. And in interviews with other leading investment advisers, Business week learned that the overwhelming majority are also counseling a policy of caution.

Investment managers are reluctant to disclose their specific recommendations—that is what they get paid for. But they freely admit that most investors should pare down their common stock holdings.

• Stay Flexible—Julian Gumperz of New York, who specializes in handling investment funds on an individual basis, makes the point that investment policy must always be flexible. As he explains: "There are times when an investment manager should be very aggressive in giving advice to clients. There are other times when he should be extremely cautious. And there are inbetween periods when a mixture is needed. Now I am counseling extreme caution."

Similar advice is being given by S. Spencer Grean, who advises both institutional and individual funds. Last June, near the top of the bull market, he advised clients to "sell now and save all cash." Now he comments that "this is not a bull market, though some stocks have begun to bottom out and have risen several points. They will come down again. We advise clients again to be patient and relax."

Donald M. Liddell, Jr., executive vicepresident of Templeton, Dobbrow & Vance, Inc., one of the larger investment management firms, is less bearish. But he does state that "extreme selectivity" is needed in buying stocks.

 Equity Fans—The cautiousness of these investment managers of individual funds is in sharp contrast to the investment policies being followed by some of the big institutional funds—pension funds, mutual funds, and bank-managed estate funds (BW—Apr.5'58.p126). This is partly because many institutional investment managers are committed to stick strongly to equities. While they do some switching, and have moved from growth stocks into defensive issues, they have remained equity-minded.

But those who manage individual funds are much more flexible. They can afford to be, for management of a \$100,000 portfolio, or even \$2-million, is much simpler than handling \$100-million to \$1-billion. Moreover, the stock in trade of individual investment managers is providing personal advice, which means wholesale shifts in many portfolios.

Some of the bigger investment counseling firms are not far removed from institutions in their operations. They handle thousands of accounts, and individual attention to any one is limited. But they do provide the kind of overall analysis and research on investment opportunities that only a big firm can afford.

 Making Capital Grow—The smaller outfits give much more personal supervision, which results in maximum flexibility. That does not mean frequent switching in and out of stocks. Most investment managers insist that they are not traders or speculators. They are mainly interested in increasing income and capital over a long period.

According to Gumperz, an investment manager is doing an "adequate" job if he provides an annual return averaging 8% over a 10-year period. That 8% figure includes both income and growth in capital. Investors who do not need income from their funds will be able to achieve a much larger increase in capital, of course, than those who depend on their funds for all or part of their living expenses.

Most investment managers have been able to chalk up gains much larger than 8% over the last five years. But now

many feel that even 8% will be difficult to obtain over the next few years. "The fat years appear over," says Gumperz. "My job now is to protect my clients during the lean years."

I. A Choice of Goals

There is considerable argument among investment managers over objectives. Some feel that with long-term inflation a perpetual threat, they must seek to increase the purchasing power of the funds they manage. Others, generally more conservative, believe that protecting the principal and providing secure income is the main goal. Still others combine these objectives, seeking to increase capital when the prospects appear good and protecting the principal when the outlook is uncertain.

• Trend to Safety—This spring, there has been a swing towards protection of principal. But it is not a complete shift, mainly because of the difference in individual accounts. For example, Simeon Hutner, of Pulsifer & Hutner, points out that many of his clients are in the higher tax brackets who are not interested in gaining secure income. So he is on the lookout for long-term growth prospects that show promise of providing large capital gains.

For the most part, Hutner looks to the stock market for such gains. But he is not now counseling broad investments in common stocks. As he sees it, the time is not yet ripe for buying into growth situations, so that much of the money he manages is in short-term taxexempt municipal bonds, or in other short-term obligations.

While many investment managers contend that they are mainly interested in providing capital growth, many of them are now keeping their clients highly liquid—and out of stocks. One explains it this way: "During the boom, staying in a liquid position would have meant a decline in a fund. Now it is more likely to mean an increase."

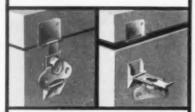
• Bonds Neglected—This is a change from the policies prevalent among investment managers a few years back. Then, the majority were putting the funds they manage into blue-chip growth stocks. And any new funds that clients accumulated were shoved into the stock market. Very few investment men paid any attention to bonds or other outlets.

In the boom period, there is no question that capital growth was the main objective. In many cases, it was the only objective. But now, investment men say, such a policy would not only fail to

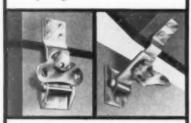
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SIMMONS FASTENER CORP. provide growth but would almost certainly bring about losses.

 Gains Still Attract—Steering clear of stocks now does not mean giving up the objective of gaining appreciation. Gumperz, for instance, feels that putting a portion of investable funds into short-term bonds not only provides a reasonable return but also offers the possibility of capital gains.

He has put some of his clients into medium-term tax-exempts, which provide a safe yield of over 3%. That yield, he points out, is equivalent to about 7% for anyone in the 50% tax bracket. Many such bonds can be bought at a discount, and they will provide a capital gain if held to maturity.

A slightly riskier way of trying to increase capital is by buying high-yielding bonds with call provisions issued in the tight money period. It's probable, says Gumperz, that a good many of these bonds will be redeemed if the decline in business lasts, and choosing those that sell below the call price may result in profits. Even if they are not called, they provide a good return.

• Defensive Buying—But investment managers are mainly looking at bonds as a means of protecting capital rather than adding to it. And since most of them think the biggest profits come in equities, they are using bonds, mostly short-term and intermediate issues, as a depository while waiting out the drop in the stock market.

II. How Long a Wait

Investment managers differ about the timing of a re-entry into the stock market. Grean, for example, feels that the Dow Jones industrials average, now in the vicinity of 440, will plummet to around 350 in the next 12 months. And he is not looking for any big profits in stocks before the bear market has run its course.

A partner in one of the largest investment advising firms is less dogmatic. He feels that if the market goes down after first-quarter earnings come out, then it will be a good time to start buying selected equities on a cautious basis. But if the market starts moving up, and appears to resist any downward tug, he feels that it might be advisable to buy more quickly. In either case, he believes that investors should have funds in reserve for buying stocks.

And Anthony Gaubis of Anthony Gaubis & Co., takes the view that "the intermediate risks in the stock market are and will continue to be greater than the corresponding prospects for capital gains." The only kind of stocks he now favors are special situations.

Situation Wanted—In general, however, most investment men are now studying the market to see what stocks will show the most improvement in the

next bull market. For they are mainly interested in finding situations that will outperform the market as a whole.

Very few analysts take the position that the stock market should be completely avoided, even if it is going to lower levels. Grean is perhaps the only one telling his clients to keep out completely. Gumperz, on the other hand, points out that some stocks go up even in the most bearish markets. And he feels that it is part of the investment manager's job to place some funds in situations that can move up in a downside market.

"After all," he says, "I cannot assume that I will be completely right. And I have to protect my clients against any eventuality." He adds that it is important for the investment manager to seek out situations before they become generally known, and while he believes "extreme caution" is necessary now, he thinks that it will not be long before some stocks will be worth buving.

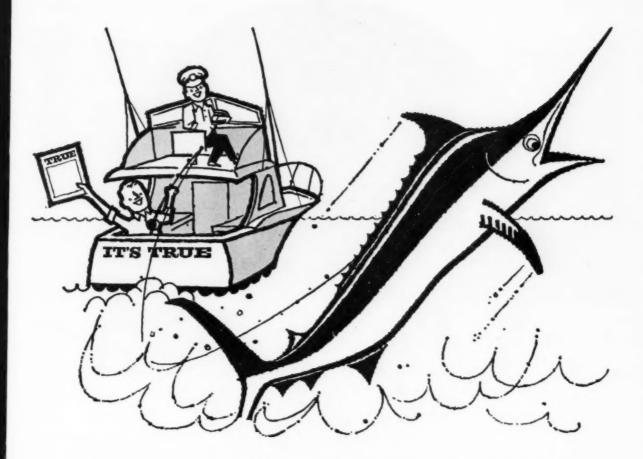
• Lower the Better-Hutner takes the same view. Like all investment managers, he is reluctant to disclose just what stocks he is currently examining, but he does admit that the biggest profits are in those stocks that are now most depressed. He points out that his clients are not after quick gains but long-term appreciation, so he is starting to buy into situations that show promise of coming back from their lows.

Yet there is no doubt about the cautiousness with which investment managers are regarding stocks. After a long period of providing gains for their clients in stocks, they now feel that the risk involved is greater than the potential profits.

 Counsel—One investment manager suggests that investors lacking expert advice liquidate stock holdings selling at high levels and put the proceeds into bonds or defensive stocks. He considers that any new funds available should be kept in a bank or in short-term bonds.

Another adviser warns that investors who try to buy into the market now take a real risk of losing their funds. "This may be just the wrong time to be sucked in," he says, "because it is possible to see another 1930, when more money was lost in the market than in the 1929 crash itself."

Most investment men think their cautiousness will not prevent them from catching the next bull market. For one thing, they are always on the lookout for situations, and do not expect to wait until the market as a whole has turned upwards. For another, they feel that the next bull market may be some time in forming, so they are not worried about missing any upward move. On the contrary, their greatest fear is that the market will show a "false" upward turn, and that is what they are currently guarding against. END



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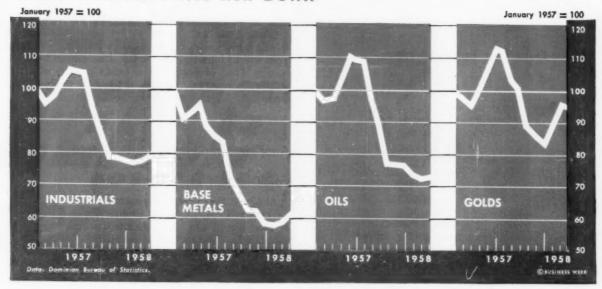


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Canadian Stock Prices Roll Down



The Market Slide Is Steeper in Canada

Like U.S. investors, Canadian stock buyers are finding that the stock market is not a one-way street. Canadian stock prices have declined sharply since mid-1957 (charts), sharper in fact than U.S. stock prices.

Moreover, most analysts say that there's little chance of a rise that would be anything more than a technical rally. Even the smashing victory by John Diefenbaker's Conservatives last week failed to set off a buying flurry. Explains one Toronto brokerage manager: "A Diefenbaker sweep had already been discounted." The fact is Canadian stock markets rarely react to Canadian elections.

Over-all, though, it's obvious that there now are numerous buving opportunities in select Canadian stocks—both for immediate rewards and for long-term growth possibilities. And these select issues—especially the golds, food stocks, and big utilities—are getting a big play, and are partly responsible for the list that the Canadian market has had recently.

 Pattern of Descent—The slide in Canadian stocks coincided roughly with the decline in stock prices in the U.S. But Canadian stocks haven't always followed this close pattern. Up until the end of 1955, for example, most Canadian issues lagged behind U.S. stocks.

The 20 leading industrials on the Toronto Stock Exchange rose only 25% above their 1953 low by the end of 1954, compared with a jump of close to 60% for the Dow-Jones industrials average. And in 1955, the Canadian

index rose merely 14%, compared with a 21% increase for the Dow-Jones.

But Canadian issues generally outperformed U.S. stocks in the first part of 1956. In particular, individual stocks among the low-priced metals doubled in price, reflecting tight supplies of nickel, copper, and aluminum. Then, 10-million-share trading days were common on the Toronto Exchange. (Last week, the average was only about 1.7-million.)

Later in 1956, however, tight money and credit restrictions put even more of a crimp into the Canadian market than similar tightening did in the U.S. And by the time the Canadian market broke in mid-1957, a number of industry indexes already had started the downhill ride.

• Hard Hit Issues—Hardest hit have been the base metals, oils, and pulp and paper stocks. Base metals, for example, are down close to 50% since their 1956 high.

Losing favor, too, have been the speculative penny uranium and oil stocks. Actually, the last really big flurry in these penny stocks was in the spring of 1956.

• Investor Action—Many U.S. investors—who were a big factor in the Canadian stock boom—are now shying away from Canadian issues. In the past, they usually have been attracted to Canadian stocks for three main reasons: long-term growth, large eventual future income, and quick speculative profits. For investors mainly concerned with present income, most Canadian stocks have little appeal: Yields are

usually well below U.S. stocks of comparable quality.

But to reap gains now from Canadian issues U.S. investors generally have to be well-heeled. For one thing, there is a 15% tax on dividends and interest received by non-residents from Canadian securities other than government bonds. (U.S. citizens can escape this tax on carnings by investing in those American open-end trusts that specialize in Canadian securities. Under Canadian tax laws, these funds get a break because they invest solely for appreciation purposes; dividends are reinvested, not paid out to shareholders.)

Canadian investors—following a pattern seen here—are taking a defensive tack, buying those stocks and bonds that promise steady income even during recession times. Big defensive buying has been seen in bank stocks, finance issues, and non-durable companies, but many of these are still far below their 1957 highs. In fact, many of the big Canadian institutions are pruning their common stock holdings and switching into bonds, although the Canadian bond market hasn't begun to approach the bull market in bonds here.

• The Outlook—Looking ahead, Can-

adian analysts have faith in Canada's rising growth trend. It is resource-rich in key minerals, metals, and oils. And onlookers believe that stock prices will eventually reflect this potential. But there is less agreement about an immediate upturn. A majority of analysts think Canadian stocks won't move up sharply until American business picks up. END

In the Markets

Stocks Quake at Earnings Trend, But Bond Prices Keep Rising . . .

The stock market this week showed increasing signs of nervousness as unofficial estimates of first-quarter earnings filtered out. The bond market, on the other hand, showed firmness as investors renewed their interest in fixed-income securities.

Most analysts expect further weakness in the stock market. There is a growing feeling that the market will turn lower, and technicians say that the strength of a downturn depends upon what happens at critical support levels. Some feel that the market will drop from its present Dow Jones industrials average of 440 to 425 before finding support. Several professionals feel an early testing of the old 419 low is possible.

There is much less uncertainty about bond prices. Most observers feel that the bull market in bonds will continue, mainly because the recession has increased the supply of investable funds while it has shrunk the demand for long-term money.

. . . Even Though Some Fall by Wayside

Consolidated Edison Co. has postponed the sale of \$50-million in mortgage bonds from Apr. 22 to June 3. Dealers say the big utility backed out of the market because there's a heavy schedule of bond issues slated for the next few weeks.

The California Toll Bridge Authority canceled a proposed \$250-million revenue bond issue for a new crossing of San Francisco Bay. Investment bankers say the planned 25¢ toll wasn't enough to protect bond holders, and the 44% interest rate was unattractive.

New Open-End Investment Funds To Be Based on Growth Stocks

Two new open-end trusts announced plans this week to issue shares to the public. One, sponsored by Lehman Bros., has been named the One William Street Fund; the other, a Massachusetts operation, is the Chase Fund.

One William Street, named after Lehman's New York address—will be a balanced fund. But its main objective is long-term growth, so it will lean heavily on equity securities.

The venture will actually start out as a closed-end investment company but will turn into an open-end mutual fund when it completes a public offering of 3-million common shares at \$12.50. This should net about \$34.6-million. Additional stock will also be issued to acquire the holdings of the Lehman-advised Aurora Corp., a private investment company largely owned by a group of Ford Motor Co. executives. These holdings

are valued at about \$36-million, so that the total capitalization of the fund will be around \$70-million. Shares will then be offered to the public at asset value plus 7½% in loading charges.

Chase Fund will have a smaller capitalization, since it will market only 1-million shares at \$10 each. Managers will be John P. Chase & Co., Inc., adviser to Shareholders Trust of Boston. The fund's primary objective will be appreciation, and any net capital gains realized from portfolio transactions will be reinvested.

Another Round of Cuts Predicted

For Discount and Prime Rates

Although the nation's commercial banks are publicly sticking to 4% as the prime lending rate that is charged to their biggest and best corporate customers, many are privately breaking the rate in negotiated deals.

This piecemeal reduction clearly forecasts an early cut in the prime rate—and in all other rates that are scaled upward from the prime. The banks have already relaxed their demands that borrowers maintain the compensatory balances of 10% to 20% that automatically increase the cost of borrowing. And they are arranging short-term loans through bankers' acceptances, which are available at below 2%.

Officials of the Federal Reserve are known to be critical of the stickiness in bank lending rates. They point out that other short-term rates are far below bank rates. Bankers contend that the discount rate, now at 24%, is also out of line; the key short-term rate, the 91-day Treasury bill rate, stood at just over 1% this week. So the Fed's rate may move down again, too.

Dealers Fight Ban on Futures, Fear Onions Are Only the Beginning

Commodity dealers are concerned over a proposed ban on trading in onion futures. The Senate Agriculture Committee is winding up hearings on the bill, which already has passed the House.

Supporters of the bill-mainly farmers-say the ban would put a stop to the extreme fluctuations of the market. Those who oppose the measure fear that other futures trading would be in jeopardy. Dealers say a ban on potato futures trading was almost added to the present bill, and an amendment is pending before the Senate to bar futures trading in wool and wool tops.

Big Board Members Raise Fees

Investors—and speculators—will have to pay more for buying or selling stocks, starting May 1. By a slim margin of 53 votes, member firms of the New York Stock Exchange voted last week to increase brokerage fees by an average of 13% (BW—Mar.29'58,p114). The vote was 646 members in favor to 593 against.

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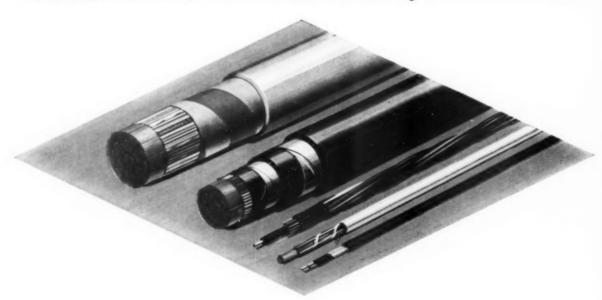
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PERSONAL BUSINESS

BUSINESS WEEK APR. 12, 1958



Like many executives, you may have thought about working abroad some day—especially if your company has sizable overseas operations. If you make that decision, you'll want to take a careful look at taxes.

Generally an overseas job offers a substantial break for the American executive.

The first \$20,000 of your overseas compensation—per year abroad—is exempt from U.S. income taxes. This covers salaries (except those paid by the U.S. government), commissions, and professional fees—though if you're self-employed and capital is an important income-producing factor, you can exclude only 30% of your profits, with a \$20,000 ceiling.

And there's a second advantage: If you pay a foreign tax (usually at a rate much lower than the American rate), you get a credit against your remaining U.S. tax bill. For example, the U.S. tax on \$40,000 reaches the 53% rate, whereas in Italy it's only 25% to 35%, in Saudi Arabia 16%, and in Venezuela 5½%.

Say your taxable income in the U.S. is \$40,000; if you're married, this leaves you a net after taxes of \$25,480.

You go abroad for a full year at the same salary. (It makes no difference taxwise whether your overseas company is foreign-owned or American.) The net tax rate you pay in the foreign country is, say, 10%—leaving you with \$36,000.

For the same year, though, you owe a U.S. tax on \$20,000 (\$40,000 minus the \$20,000 exclusion). This bite comes to \$5,280, with a joint return. But because you've paid \$4,000 in foreign tax, your U.S. bill is reduced by \$4,000. So your U.S. tax for the year is only \$1,280.

That means a net income of \$34,720 for the year abroad—as against \$25,480 for a year's work in the U.S.

Obviously, if you're considering an overseas venture, it would be a good idea to have your tax attorney check carefully the domestic law of the country you may work in.

After you start working abroad, you have to meet certain requirements before you can qualify for the \$20,000 exclusion. There are two ways:

(1) Show that you were a "foreign resident" for at least one full tax year. This is sometimes difficult because you must show your "intention to be a resident," which implies permanency and boils down to a question of evidence in your particular case. Having your family abroad, buying a home instead of renting, ability to speak the language, joining foreign clubs and community groups—all tend to prove your point. Usually, buying a home and having your family abroad is a clincher.

Once you've established "foreign residency," you're free to take business trips and vacations in the U.S.—without breaking resident status.

(2) Show that you stayed in a foreign country for 510 full days during any period of 18 consecutive months. (If you were born in the U.S., you can remain abroad as long as you like without impairing your U.S. citizenship; if a naturalized citizen, there's a general five-year rule.)

The 510-day rule cuts fine on timing. Being just one day short can eliminate your \$20,000-per-year exclusion. If you run close on timing, though, you can count (1) time in the air over the foreign country; (2) travel-time between foreign countries (but not time on the high seas

PERSONAL BUSINESS (Continued)

BUSINESS WEEK APR. 12, 1958 between the U.S. and your destination); and (3) vacation time spent in any foreign country.

If you're already overseas, but know you won't qualify under the 510-day rule on tax filing date, you can apply for an extension of time. You file Form 2350 with the IRS in your home city, or with the Director of International Operations, Washington 25, D. C. Usually you can count on a reasonable extension to help you qualify.

Homes abroad: If you sell your house in the U.S. and buy another overseas within one year, you're free of U.S. capital gains tax on the sale—provided the second house costs as much (or more) as the sale price of the first. The reverse applies, too—where you sell abroad and buy here.

Here's how the 13% increase in brokers' commissions just approved by New York Stock Exchange members (page 142) will affect you dollarwise. The new rate becomes effective May 1.

Stock Price	Cost of 100 Shares	Present Commission Schedule	New Commission Schedule	Percent Increase On 100 Shares
\$10	\$1,000	\$15.00	\$18.00	20.0%
15	1,500	20.00	23.00	15.0
25	2,500	27.50	31.50	14.5
30	3,000	30.00	34.00	13.3
50	5,000	40.00	44.00	10.0
100	10,000	45.00	49.00	8.9
150	15,000	50.00	54.00	8.0

Don't be trapped in the mushrooming "March of Bonds" chain-letter scheme—you are apt to be defrauded. In addition, this spreading "get rich quick" plan, with lottery elements, is illegal under federal mailing laws.

The gimmick this time is that the list of names in the "pyramid" is hand-circulated, but receipts for savings bonds purchased go through the mails. If you haven't been approached yet you may be soon. The warning chorus includes the Post Office, Treasury, and Federal Reserve.

New tax deduction: Business executives now can deduct the cost of educational courses that they take voluntarily to improve their present job skills, according to a new IRS ruling. Courses must be related to the executive's present position. Under the old rule, such courses were deductible only if required by the employer.

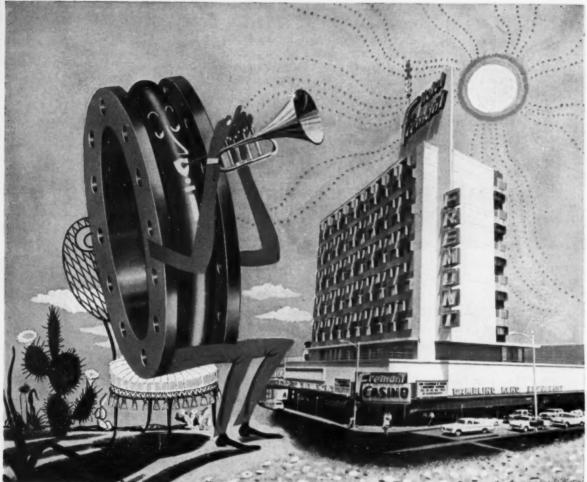
Refunds: If you have spent money taking such courses, you can file a claim for tax refunds for the years 1954, 1955, 1956—but claims for 1954 had to be filed by the Apr. 15 deadline this year. So far, no word has come from IRS on easing the refund rule for 1954 claimants.

New sports comfort: If you're a major league baseball fan who likes to take it easy, you'll enjoy seeing Los Angeles Dodgers' home games from reserve and box seats equipped with foam rubber cushions.

And if you play golf, you'll be able to put your golf shoes on the simple way this season with a new golf-club-shoe-horn with spring action, complete with shaft and leather grip (King Cole Gifts, Box 1387, New York 1; \$5.95).

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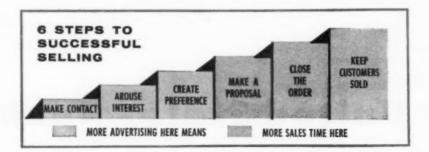
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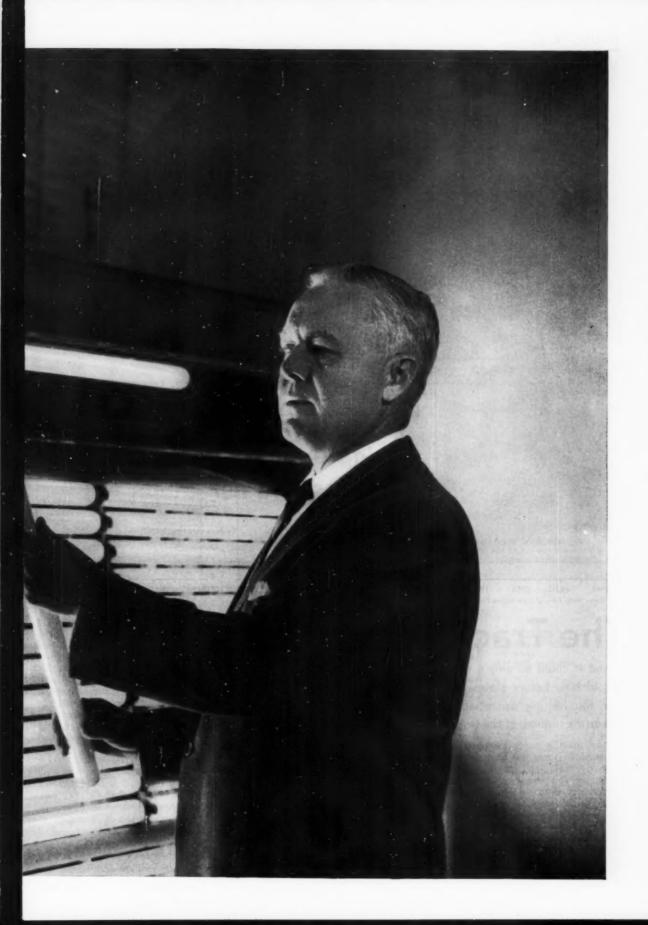
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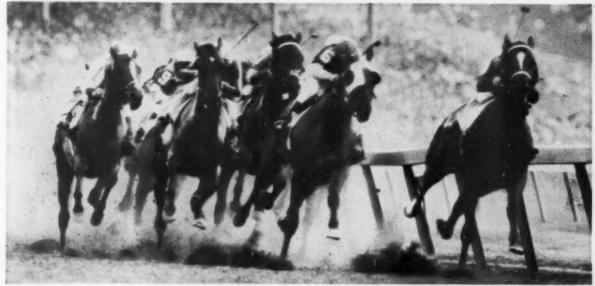


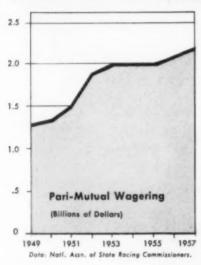
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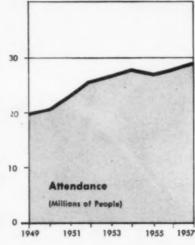


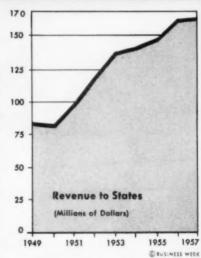












The Tracks Are Paved With Gold

And it could be only a question of time before states take over the betting operation as well as the running of the tracks.

Once upon a time, the racing of thoroughbred horses was truly the sport of kings-royalty and nobility owned the horses and the race tracks, and high society came out to watch the races. Today, most of the kings are gone, and so is most of the sport.

What's left of the sport (and some track officials candidly admit racing has become primarily a gambling device) belongs to the mass public. And, the way things are going, tomorrow it may well belong to the state.

You can see a transformation even in the past 15 or 20 years.

• Rich Man's Hobby—In the U.S., race tracks used to be owned by the social nobility, the rich men and their families who bred horses and liked to watch them run. The old tracks were designed for the gracious ease of the few, with lesser accommodations for the general public.

Under the pressure of taxes and, after the war, the rising cost of operations, wealthy horsemen could no longer afford to run the tracks as a personal hobby. In their stead came syndicates of investors, as gambling-minded as the public at large. They bought old tracks, enlarged or tore down the old ivy-covered grandstands, and expanded parking and betting facilities. Or they started from scratch with modern steel and stone plants designed for efficient parking, betting, wining, dining, and racing.

Many of racing's traditional owners remain on the scene, but most have retreated to the barn and the paddock and to the breeding farms. They concentrate on the horses, on improving the breed, while the businessmen of the new generation of track owners concentrate on the profit-making.

• Temptation-Each year, increasing millions of loud-shirted racing fans turn



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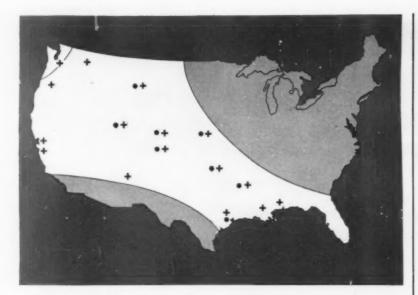
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DENVER, COLORADO

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". . . in the track operation and betting figures lies a temptation for states . . ."

RACING starts on p. 150

out at the tracks to wager increasing millions of dollars (charts, page 150). The only measurable betting is the volume at pari-mutuel operations that are legal in 24 states. Unknown millions of dollars also pass through the hands of bookmakers, illegally, in all 48 states.

With scarcely a hesitation in their rush to risk dollars on the ability of one horse to gallop faster than another, the country's bettors have boosted the total pari-mutuel handle (volume of betting) from just under \$1.4-billion in 1949 to last year's record \$2.26-billion -an increase of nearly 63%. That's faster than track attendance rose. From 1949 through last year, attendance went from 20,101,000 to 29,719,000a 48% gain.

From betting, admission charges, and other sources, track owners last year grossed an estimated \$250-million. In addition, state treasuries took in \$165million as their share of the betting.

In these figures lies a temptation for state legislators, leading some track-wise observers to predict that track ownership and betting operations may someday be a state monopoly.

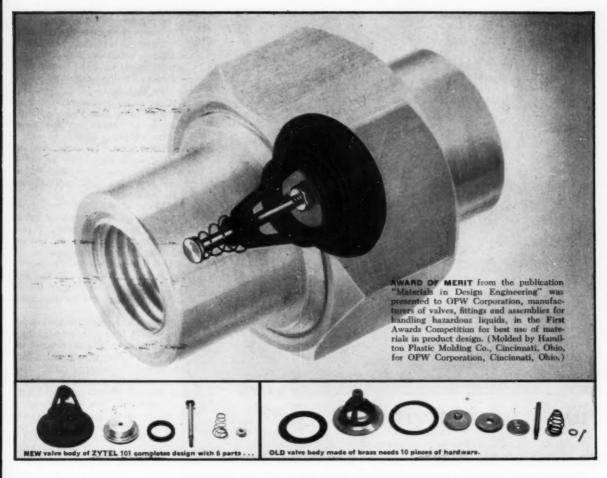
I. The Lure of Cash

In 1934, only four states permitted betting at the race track. Since then, 20 other states have legalized it. Racing operators held out to the legislatures the lure of cash-a share of the betting pools-for state treasuries, and sometimes for the legislators personally (in Rhode Island, a Providence newspaper reporter claims to have counted 14 legislators working at the Lincoln Downs track one day while the legislature was also in session).

Now some track owners fear they have oversold the legislatures on the virtues of this new source of revenue. States hard pressed for income, particularly for highways and schools, threaten to step up their share of the betting takeout. And racing, as a legalized gambling device, is dangerously vulnerable to raids by state taxing authorities. It has many followers but few defenders.

• Better Than Bookies-From Maine to California, you won't find many racegoers who will claim to believe in the purity of racing. They have long since accepted the fact that thoroughbred racing, tied in with big betting and big investments in tracks, tests ethics and tempts crime.

Track habitues readily accept the



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TRADEMARK

Esterbrook 444 Desk Set with Feed-matic Base

fact that owners and trainers of horses must be policed.

The horses themselves are tested for signs of stimulants or depressants. Half the nation's tracks support an annual \$500,000 cost of an FBI-type investigative agency, the Thoroughbred Racing Protective Bureau.

Nor are racing fans much impressed when they learn that state legislators are on track payrolls or that newspapermen are being paid to provide a sympathetic press. To them, the important thing is the chance to bet—if possible on an honest race. And they're satisfied that most races, especially on the big tracks, are honest.

• Big Money—From the bettors' standpoint, the illegal off-track bookie operations yield the biggest killings, some of them based on races on obscure tracks. But from the viewpoint of the track operators and the state treasurers, the great cash flow is through the windows of pari-mutuel betting in the 24 states that legalize this form of gambling.

More than 80 tracks have pari-mutuel betting. This system is credited to a French businessman and horse-player named Pierre Oller, who resented having to accept the arbitrary odds set by Parisian bookmakers. He invented a system in which all bets are pooled, with the odds reflecting how much money is wagered on each horse. The more backing each horse gets, the shorter the odds.

The figuring of odds is done by a computer called a totalizator, which posts the figures on the "tote board" during and after the betting. Out of each betting pool comes the "takeout"—generally 10% to 15%—that is retained by the track as commission and is taxed by the state.

II. The State Takes Over

So strong is the gambling urge that the "handle" at the nation's tracks markedly resists the recession trend. In Florida, for example, the unseasonable cold and storm of early winter cut attendance at the thoroughbried tracks by 5.65% through mid-March, yet betting dropped only 4.1%, compared with a year earlier. In California, betting is up 5% while attendance has risen only 3%. Northern tracks are just opening their season, with hopes of also beating the recession.

A New York racing official explains it this way: "Racing isn't a sport—it's gambling. The fans certainly don't get out to a track because they care about track records or like to watch a pack of horses run around the track."

This is hard for some of the old-line breeders and owners of stables to swallow—a notable few of them never even bet on their own horses. But A. M. Kennedy, Jr., Vice President, Purchases and Traffic, Westinghouse Electric Corporation



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"... non-profit body runs all of New York State's four race tracks . . ."

RACING starts on p. 150

it is clearly recognized in state capitols. New York State offers a prime ex-

ample of how the profits of racing—and gambling—can become a state monopoly.

• The Process—Up to 1946, New York track owners divided a 10% takeout equally with the state. In that year, the state raised the takeout to 15%—5% to the tracks, 5% to the state treasury, and the new 5% to New York City and the other home counties of the state's four tracks.

This increase in the takeout drove bettors by the thousands to the plush new tracks in neighboring New Jersey (the higher the takeout, of course, the less money remains to be divided among the holders of winning tickets). Meanwhile, the New York tracks were still faced with deterioration of plant and a stiff rise in operating costs, especially purses to attract top-flight horses. The betting handle went down, and so did the tracks' profits. From 6.87% net in 1946, profits dropped to 2.22% of receipts in 1955.

All this time, the State Racing Commission was issuing annual warnings about the plight of the tracks, but the 15% takeout remained in force except for two changes: The state took over the 5% originally allocated to the counties, and in one year–1952–the takeout was temporarily shaved to 14%.

In 1955, the legislature solved the plight of the track owners by creating the Greater New York Assn., Inc., a non-profit body often described as an operating arm of the state government, since the state alone makes a profit. The GNYA bought the state's four tracks—Belmont, Jamaica, Aqueduct, and Saratoga—with \$47-million borrowed from 13 banks. It is improving facilities at three tracks and completely rebuilding Aqueduct at a cost of \$31.2-million. Its 20 trustees serve without pay and are described as traditional sportsmen who are "interested in quality racing." New York's Jockey Club conceived the idea of GNYA.

• Other States—No other state takes as high a percentage from the betting pools as New York does, but their shares often equal or exceed the shares of the tracks.

In Florida, for example, the state takes 8%, the operators, 7%. Michigan splits 12% equally with the tracks, and Massachusetts does the same with 14%. California, however, takes only 5% to 6%, leaving the tracks another 7% to 9% of the handle. New Mexico



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is content with ½%; the tracks are allowed to keep 14½%.

Track owners dread each session of the legislature. In Illinois, they fear a 1% increase in the state's take. In Massachusetts, the Eastern Racing Assn., Inc., owner of Suffolk Downs, says an increase is "always a threat." Seattle's Longacres says a shift of one percentage point in the track's share could put the business in the red. An increase, "even a small one," could break Denver's Centennial Turf Club which lost money consistently until a 1953 court decision assigned it the "breakage." (This is the odd pennies left over when a pari-mutuel pool is divided to pay the winners-an exact amount of \$4.83, for example, is paid off at \$4.80. Either the state or the track keeps the difference.) In 1956, breakage at Centennial amounted to \$133,998; the track showed a profit of only \$57,349, counting in all the breakage.

In Kentucky, Keeneland track was exempt from pari-mutuel taxes in 1953 as a non-profit venture, but the legislature repealed the exemption in 1954. It was reinstated in 1956 after a fierce battle in the legislature, but the exemption was killed again this year.

III. Fattening the Fringes

Tracks last year took more than \$200-million as betting commission, but they don't scorn the \$50-million or so that they collected from admission fees, food and drink concessions, parking, scorecards, etc. These fringes of income make the difference between profit and loss for many tracks.

Time was that tracks distributed admission passes by the thousands, just to get people within the grasp of the totalizator. Now they suddenly realize that their income from betting is uncertain, with state governments closing in on them. And they are developing income from their secondary business of staging a spectacle.

Tracks that, before the war, charged nothing for admission to the park and perhaps \$2 for a clubhouse ticket are now levying 50¢ or more for general admission, usually including a grandstand seat, and upward of \$3 for the clubhouse (the de luxe grandstand, with bar and grillroom). They have stopped issuing passes, or have cut down sharply on them.

• Building Profits—A couple of years ago, Churchill Downs in Kentucky produced 25% of its \$4.23-million gross from sources other than betting. Centennial Turf Club in Denver got 18% of its \$1.3-million gross from non-betting sources. Churchill Downs showed 14.9% net; Centennial, 2.6%.

The biggest expense that tracks face is the purse money for which the horses

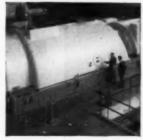
The invisible sword should

be hung on a Chain!

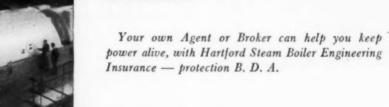
Danger of accidents to power equipment is like an invisible sword. It hangs overhead, ready to fall . . . Because of this, sound management does its best to forge a chain of safeguards: men and instruments on the alert at all times to detect signs of danger.

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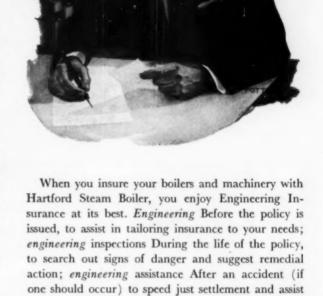


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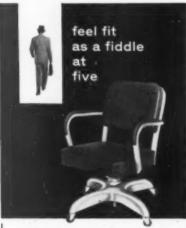
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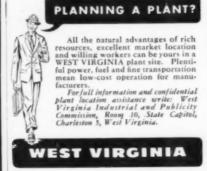


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race. In 1956, the last year from which figures have been compiled, horse owners shared \$70.4-million. From 35% to 50% of the tracks' takeout in the pari-mutuel pools went into this cost of staging a show.

Track executives say other cost items, in order of importance, are depreciation write-offs on plant, salaries, rental of betting equipment, plant maintenance, advertising, and business and property taxes. Generally, tracks that report high depreciation come out with low net earnings, and vice versa. Some critics say net profits could be far higher but for excessive write-offs and lavish salaries paid to track executives.

"The net earnings figures don't mean much," a New York tax consultant comments. "The tracks are obviously affluent"

• Investment Chances—Values of race track stocks vary widely, mostly in capital gains—few tracks pay exciting dividends. The classic example of the reward of getting in on the ground floor is the Los Angeles Turf Club, formed in 1934 to build Santa Anita. From the original offering price of \$5,000, the stock went to a high of \$80,000 and is currently quoted at \$60,000.

All track stocks are traded over the counter. Brokers say there's an active market in some, such as those of New Jersey's Monmouth, Florida's Hialeah, and Rhode Island's Narragansett. But they rarely recommend buying shares in tracks.

"Clients have to know what they're doing," says one broker, "before I even mention a track stock. In fact, they have to bring it up themselves. I won't."

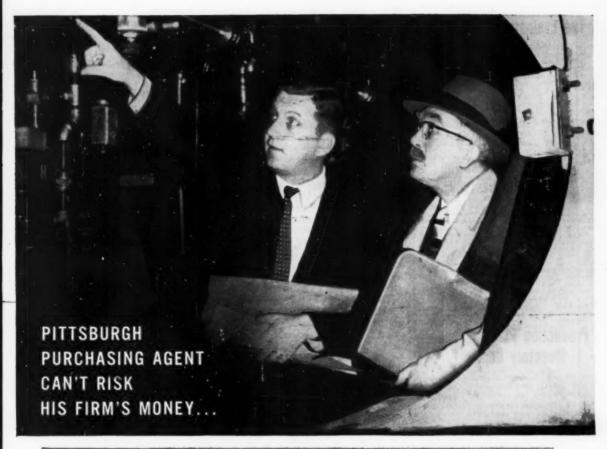
Some people insist on buying into the tracks, though, for personal reasons—a desire to be connected more closely with racing, a sentimental feeling about a given track, or a yen for social recognition (membership in Kentucky's Keeneland corporation, for instance, conveys more social distinction than a listing in a social register).

IV. Off-Track Betting

So far, states and track operators, working together, have regulated the gambling of racing and cleaned up the abuses of the old track bookie system. From trying to curb the primitive urge of man to get rich quick by forecasting a certain outcome, the states have gone to cashing in on it.

It is the action of gambling, not the actual result, that many people find fascinating. One of history's biggest bettors, Nicholas Dandalos-known more familiarly as Nick the Greek-reportedly said: "The next best thing to playing and winning is playing and losing. The main thing is the play."

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"... the next step by legislatures may be to legalize off-track betting . . ."

RACING storts on p. 150

more and more "making the play" -on roulette, trotters, grevhounds, jai alai, published statistics, etc. A New Yorker who has been booking off-track bets for more than 20 years says his volume is several times as much as even a few years ago. And the next long step by legislatures may be to legalize and control this off-track betting.

· Opposition Arguments—Paradoxically. this is something that neither the bookies nor the tracks want

The Thoroughbred Racing Assn., whose 35 members include the biggest and most successful tracks in the country, declares that such proposals wouldn't

The illegal bookies' patrons, a TRA booklet says, are at two extremes: the professional gambler whose large plays would depress the odds at the track under the pari-mutuel system and the "one-buck" bettor who can't afford the time or expense of going to the

Proposed legislation would bring all off-track bets into the track pool to help determine the pay-off price. This would drive the professional gambler to boot-leg bookies, the TRA says. On the other hand, the small-timer makes bets with his bookie that wouldn't be acceptable in a state-approved system.

"Today," says the TRA, "bettors have the convenience of being able to place a wager at countless small pool rooms, cigar stores, stationery stores, barber shops, etc. Many have the further facilities of the telephone and bookmakers' runners. No proposed legislation, as vet, has offered such inducements, and so would not attract this form of play to legalized betting offices."

• Puerto Rico Case--Proponents of legal off-course betting, in reply, point to Puerto Rico, where the \$5-million El Comandante track was opened in January, 1957. In addition to pari-mutuel windows at the track, there are 250 agents around the island who will accept bets as low as 25¢. The stav-athome fans can bet on a single horse or play a six-horse parlay. In its first 47 days of racing, El Com-

andante grossed \$1,693,153 and netted \$80,887. Its share of money bet on off-track parlays is 28.5%, of the parimutuel and daily double handle, 23.5%. Both percentages arouse envious wonderment among U.S. mainland track operators.

But no one can say that such a system would work in the 48 states. END

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Streamlining the Defense Department

The U.S. defense establishment is the largest single activity in this country. With 2.6-million people in the services, it dwarfs any other operation or institution, public or private.

One man, the Secretary of Defense, is held accountable by the President and the Congress to run this monster. His job is complicated by the fact that the whole technology of destruction is changing so rapidly that today's concepts are obsolete tomorrow. His administration frequently bogs down in chain upon chain of committees.

Perhaps most frustrating of all, though, is the basic law under which he operates. Congress has made three major attempts to unify the department since World War II—in 1947, 1949, and again in 1953. But the law is still encumbered with built-in restrictions and contradictions. The Joint Chiefs, for example, are limited to a staff of no more than 201. And the law gives the Secretary of Defense "direction, authority, and control" over the whole department, yet also provides that the three services must be "separately administered."

In an attempt to make sense of this, and to streamline the defense establishment to meet the needs of the space age, the President last week sent some sweeping recommendations to Congress. They would, in effect, strengthen the position of the Secretary in administering the department, give him much greater control over the money appropriated by Congress, and unify many functions now more or less independent (page 34).

Some congressmen have already shied away from the President's proposals. They fear the Secretary may become a czar of sorts; they hesitate to see their own power over the purse weakened in any way.

However, we hope the President's plan is pushed through as rapidly as possible. Russian satellites overhead, and the possibility that the Russians may reach the moon at any time, emphasize the immensity of the responsibility carried by the Secretary.

It seems to us only reasonable that he have matching authority.

Figure the Risks

They used to tell a story in Wall Street about Blondin, the great French acrobat. Blondin made a worldwide reputation and a nice package of money by walking back and forth across the Niagara Falls on a tight rope. One day, an enterprising securities salesman caught him just as he was starting out and tried to persuade him to put some of his money into stocks. Blondin recoiled with such horror that he nearly dropped his balancing pole. "Non!" he said. "Not stocks. Only bonds. I don't like to take chances."

There is a good deal of this same brand of logic

in the talk that is coming out of Washington these days about the great perils and uncertainties that would be involved in making a tax cut as an antirecession measure. Somehow, you are invited to conclude, a tax cut involves enormous risks, while continuing "steady-as-we-go" does not.

But the inescapable fact is that any course the government takes at this point must involve a gamble. To cut taxes is to gamble that we will be able to control any inflationary effects that may develop sometime in the future. But not to cut taxes is to gamble that the economy will turn up promptly by itself—before the contraction of production and purchasing power starts to feed upon itself.

The risks in this steady-as-we-go course are just as great as the risks in an immediate cut. And the stakes are, if anything, higher. For if the economy does not turn up, we will have missed the psychological moment, and we will then have to adopt far more drastic anti-recession measures than anything that is proposed now. Moreover, the longer we postpone a tax cut, the more we encourage Congress to increase federal spending. And this additional spending will generate an even larger deficit if steady-as-we-go has to be abandoned and a desperation tax cut adopted after all.

If the Administration decides to take this gamble, we devoutly hope it will win. But both the Administration and the country must realize that in government, as in poker, you can lose just as much betting a pat hand as drawing cards.

Lower Reserves

Congress has just received a bill, supported by the Federal Reserve, that would revise commercial bank reserve requirements.

On the surface, this is a constructive move. But it does have some drawbacks. One at least can be rectified by Congress.

This concerns the money managers' proposal to lower the reserve requirements for central reserve city banks in New York and Chicago from the present range of 26% to 13% to a new range of 20% to 10%—the level that now applies for other reserve cities.

This goes part of the way toward erasing the anachronistic differential between central reserve city banks and the others. But it does not go all of the way, for the Fed still wants to maintain a differential between the two classes of banks and retain the right to keep requirements on the biggest banks higher than the others. While there is much to be said for a gradual closing of the gap, there is no logical reason for maintaining an archaic distinction between the banks. This is the kind of half measure that confuses rather than clarifies credit policy.



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